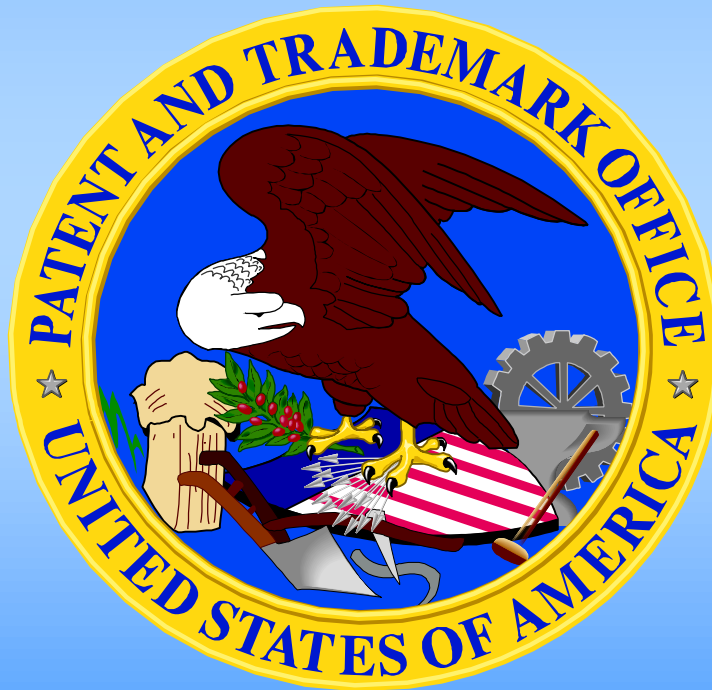


FY 2000 Corporate Plan

For the

UNITED STATES PATENT AND TRADEMARK OFFICE

Moving into the 21st Century



Department of Commerce

U.S. Patent and Trademark Office
Fiscal Year 2000 Corporate Plan
Submission of the President

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Budget-at-a-Glance

Fiscal Year 2000 Highlights

- PTO is requesting \$922 million or an increase of \$126 million above the 1999 enacted level.
- We project our collections from user fees to be \$965.7 million.
- We will continue with a multi-year funding strategy that is cognizant of the fact that there are pending in 2001 major projects which include, for example, our Space Consolidation project. Therefore, as a result of prudent planning, we will carry \$159.8 million into fiscal year 2001 in order to offset the costs of operating in that and subsequent fiscal years.
- No rescission is proposed for fiscal year 2000.

Planned Accomplishments

We will continue to expand our patent examiner staff to address growing workloads and achieve cycle time reductions. However, we will see the benefits of process reengineering and automation which will be reflected in a diminishing rate of growth in the number of patent examiners hired each year.

Our patent examiners will dispose of (either allow or abandon) 234,000 utility, plant and reissue applications and achieve an average cycle time of 10.2 months for all inventions. Eighty percent of inventions will achieve a cycle time of 12 months or less.

Our trademark attorneys will register 141,000 trademarks (classes) and trademark applicants will receive a first action in 3.0 months from filing and a registration/disposal in 13.8 months.

We will enhance quality by providing customer service training to employees, conducting in-process reviews of all Patent office actions, continuing to enhance employee training, such as the Legal Studies Program for patent examiners, and continuing to review a statistically valid sample of allowed patents through our Patent Quality Review Program.

Applicants, now able to use the Internet to file trademark applications, will be able to submit trademark follow-on papers, U.S. patent applications (on a limited basis) through a controlled pilot, biotechnology gene sequences in support of biotechnology applications, and Patent Cooperation Treaty applications.

Customers will be able to use the Internet to obtain status information regarding pending patent and trademark applications, order and receive information products, and continue to have free access to the PTO's text and image databases containing issued patents and registered trademarks.

We will continue towards the creation of an Electronic workplace, whereby our employees will be able to perform their work electronically.

We will enhance our international commitments by providing technical assistance to developing and least-developed countries in the preparation of laws and regulations on the protection and enforcement of intellectual property rights. Of particular significance is providing intellectual property protection seminars and technical training to representatives from African countries.

Funding

In line with our multi-year funding management strategy, we will ensure, in 2000, funding stability in the outyears by carrying forward unavailable fees collected in fiscal year 2000 and propose incremental fee increases for two purposes. First is a fee surcharge to offset the estimated \$20 million cost associated with the post-retirement health and life insurance benefits of current PTO employees. Second is a proposed inflationary adjustment to keep the PTO's fee structure in line with the cost of doing business (e.g., Federal-wide compensation and benefits adjustments, etc.).

PTO's Workload and Revenues

The Patent and Trademark Office (PTO) is a fully user fee funded organization. Requests for products and services are paid in advance which is an attribute of our organization that requires special consideration. For example, given the nature of our business, fees can be paid in one fiscal year and the products and services ultimately delivered in a subsequent fiscal year.

Given our total reliance on fee-paid workloads, our revenue projections can be affected by changes in overall economic conditions both within the United States and abroad. For example, we currently are monitoring the economic recession in Japan to assess the potential impact on PTO workload and revenues. As a result of changing global economic conditions, our actual workload and revenue can (and frequently do) deviate from the projections made about 18 months before formulating the Corporate Plan.

Because of our sensitivity to economic and business decisions, we are enhancing our forecasting expertise through the addition of personnel with experience in economics, statistics and accounting; the use of more sophisticated forecasting tools and techniques; collaboration with the European and Japanese Patent Offices in tracking trends; and work with academic experts in the area of forecasting. A major impediment is the availability of timely data related to workload at the micro level and business and economic information in the format needed for ready use.

As a labor-intensive organization, we cannot always gear up as quickly as needed to address shifts in workload. For example, in fiscal year 1998 we received almost 8,000 additional patent application filings above the plan formulated 18 months prior. Even though we increased the number of patent examiners by 469 in fiscal year 1998, it will take until fiscal year 1999 to increase the complement of patent examiners needed to address the increased workload received in fiscal year 1998.

Another consideration is the wishes of our customers. They have articulated their desire for reasonable fee rates that support the programs of the PTO. The United States Patent and Trademark Office Reauthorization Act, Fiscal Year 1999 (H.R. 3723, Pub. L. 105-358), which was enacted on November 10, 1998, reduced major patent fees by about six percent for an overall cost avoidance to our customers of about \$50 million.

Taking these major factors into consideration, the PTO is proposing a multi-year program that supports the initiatives of the Secretary of Commerce, continues to meet our *Year 2000 Commitments* to Vice President Gore as a High Impact Agency (HIA), rescinds \$71.0 million in fiscal year 1999, and recognizes our customers' wishes to pay the lowest fee amounts possible for timely and high quality products and services.

The PTO also supports the Administration's proposal that user-fee funded agencies pay all costs of operations, including their share of the post-retirement benefits for their employees. To achieve this objective and to ensure adequate revenues for future operations, the PTO is proposing a fee surcharge to generate sufficient revenues to be transferred to the Office of Personnel Management (OPM) for the accrued indirect personnel costs associated with post-retirement health and life insurance of its employees. Likewise, the PTO may consider an inflationary adjustment for fiscal year 2000 to ensure the future stability of the workforce and automated systems in light of increasing workloads, and to mitigate the need for a dramatic fee increase at a future point in time.

The following table shows our expected revenues and our estimated obligations for fiscal years 1999 through 2005 (dollars in millions).

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Current Year Fee Collections ¹	+860.8	+945.7	+946.0	+946.0	+946.0	+946.0
Fee Surcharge ²	0	+20.0	+20.0	+20.0	+20.0	+20.0
Total Fees Collected	+860.8	+965.7	+966.0	+966.0	+966.0	+966.0
Carryover and Recoveries	+132.9	+116.1	+159.8	+116.0	+116.0	+116.0
Less: Rescission	-71.0	0	0	0	0	0
Total Expected Funding	922.7	1,081.8	1,125.8	1,082.0	1,082.0	1,082.0
Less: Unavailable Collections	-115.8	-159.8	-116.0	-116.0	-116.0	-116.0
Total Available for Spending³	\$806.9	\$922.0	\$1,009.8	\$966.0	\$966.0	\$966.0

¹ Fee projections for fiscal years 2001-2004 reflect the Administration's policy on outyear budget estimates.

² This fee surcharge will generate funds to be transferred to the Office of Personnel Management (OPM) for PTO post-retirement benefits.

³ Total available for spending includes funds to be transferred to OPM in fiscal years 2000-2004.

This table provides an indication of how the multi-year nature of our business affects our funding. From this table, it can be seen that in fiscal year 2001 the PTO would generate \$966 million in revenues (including an inflationary increase and a fee surcharge), and spend \$1,009.8 million. If carryover funds were not available, PTO would have a shortfall of \$43 million in fiscal year 2001.

To ensure the stability of the workforce and automated systems in light of increasing workloads, and to mitigate the need for a dramatic fee increase in the future, the PTO is proposing two minor fee increases for fiscal year 2000, as described above: a fee surcharge to offset the indirect personnel costs associated with post-retirement health and life insurance of PTO employees, and a two percent inflationary fee increase to ensure continuity in current services. PTO's customers experienced a 2.6 percent fee increase in October 1997 and a 6 percent reduction to major patent fees in November 1998. The latter action resulted in an overall cost avoidance to customers of about \$50 million. Moreover, after all planned adjustments, patent fees will not be much higher than they were in fiscal year 1998.

Fiscal Year 2000 Plan and Resource Requirements

Corporate Plan-2000 is the first time we are fully incorporating the results of our cost accounting effort in our annual budget submission. Cost accounting is generating unit cost models that meet Federal accounting standards for products and services for each of our business areas. The models that have been developed enable us to portray the overall costs (expenses) of doing business by major business line (that is, Patents, Trademarks, Information Dissemination and Policy).

Utilizing activity-based costing techniques, the cost accounting effort at PTO is aimed at accurately accumulating, analyzing, and distributing costs to the major business lines -- Patents, Trademarks, Information Dissemination -- and Policy. This rigorous process produces accurate activity and object costs, including unburdened costs as well as costs that are fully burdened with indirect expenditures. This cost accounting work was initiated in fiscal year 1997, but the methodology is continually reviewed, refined, and improved. For instance, the methodology used to allocate information technology costs in fiscal year 1997 was based on a labor-intensive process involving personnel interviews and research of procurement documents. In the following year, the information technology cost allocation effort was improved through a more simplified methodology, which utilizes project codes and is more accurate in addition to being automated and auditable. As the cost allocation methodologies continue to improve for accuracy, trend figures will also become more reliable for analysis and budget estimates.

The cost accounting effort enables us to present a budget structure wherein we identify performance goals and measures for each of our major business lines and our policy activities, and link them to resource requirements.

Corporate Plan-2000 assumes the following:

- PTO is starting the fiscal year with \$132.9 million, of which \$108.3 million is due to fees collected above plan in fiscal year 1998, primarily because of an increase of 8,000 patent applications, increased claims fees and increased issue fees. Of this amount, \$71 million was rescinded by the Congress, with the Administration's support.
- PTO will obligate \$806.9 million in fiscal year 1999; and process revenues of \$860.8 million.
- No rescission is proposed for fiscal year 2000.
- We plan to obligate \$922.0 million in fiscal year 2000 in accordance with this Corporate Plan. Of this amount \$20.0 million will be transferred to the Office of Personnel Management (OPM) for accruing indirect personnel costs associated with post-retirement health and life insurance of current PTO employees
- In fiscal year 2000, assuming a CPI adjustment, PTO will collect \$965.7 million, of which \$20.0 million will come from the proposed fee surcharge.
- In fiscal year 2001, our fee collections will be less than estimated obligations by \$43.8 million. The availability of carryover funds at this time will enable us to mitigate the need for a dramatic fee increase in the future.

Under these assumptions, our fiscal year 2000 planned obligations are \$922.0 million (including \$20.0 million to be transferred to OPM), which is an increase of \$104.9 million above the fiscal year 2000 base. To fund this request, we expect to carry forward \$115.8 million from fiscal year 1999, and process \$965.7 million in fee collections (including a fee surcharge and a CPI adjustment).

At the fiscal year 2000 funding level, we will deliver our *Year 2000* Commitments, enhance customer satisfaction through timely and high quality products and services and move toward full electronic commerce, while supporting Secretary Daley's Initiatives.

Corporate Plan-2000 also meets the requirements of an Annual Performance Plan under the Government Performance and Results Act. The Patent, Trademark, Information Dissemination, Policy and Corporate Support sections of this Plan fully describe our program plan and planned accomplishments at the requested resource levels.

Below are highlights of our planned accomplishments in fiscal year 2000 at the requested resource level.

- Our patent examiners will dispose of (either allow or abandon) 234,000 utility, plant and reissue applications, and our trademark attorneys will register 141,000 trademarks (classes).
- We will achieve an average cycle time of 10.2 months for all inventions, with 80 percent achieving a cycle time of 12 months or less.
- Trademark applicants will receive a first action in 3.0 months from filing and a registration/disposal in 13.8 months.
- Eighty percent of our key information products and services will be delivered according to published schedules or cycle time standards.

- We will engage in electronic commerce by enabling our customers to use the Internet to:
 - Submit PCT applications.
 - Submit biotechnology gene sequences in support of biotechnology applications.
 - Submit U.S. patent applications (on a limited basis) through a controlled pilot.
 - Obtain status information regarding pending patent applications.
 - Submit trademark applications and all follow-on papers.
 - Correspond electronically with trademark attorneys during the prosecution of their applications.
 - Obtain status information regarding pending trademark applications.
 - Access the PTO's text and image databases containing issued patents and registered trademarks.
 - Receive timely and accurate information related to PTO changes in policies, processes, fees, etc.
 - Order and receive information products.
 - Submit patent and trademark assignment applications.
 - Pay for certain products and services using a credit card.
- We will support reduced cycle time and quality through an Electronic Workplace which:
 - Processes all PCT applications electronically within PCT Operations.
 - Converts all incoming paper U.S. patent applications into electronic format.
 - Pre-processes patent applications electronically.
 - Electronically classifies applications for routing from pre-examination processing to the Technology Centers.
 - Performs electronic "pre-searching" for patent examiners.
 - Demonstrates, through a working prototype, the ability to process U.S. applications electronically from receipt to publication.
 - Demonstrates, through a pilot, the ability to perform interference searching between and among patent applications.
 - Provides extensive, electronic access to patents issued by the Trilateral and other major patent offices.
 - Converts all paper trademark applications into electronic format.
 - Converts all paper correspondence related to trademark applications into electronic format.
- We will achieve customer satisfaction rates of 70 percent in Patents, 80 percent in Trademarks, and we will maintain 90 percent customer satisfaction with our Information Dissemination business.
- We will help American businesses operate in the global economy by enhancing intellectual property protection around the world through 93 technical assistance activities to 78 countries.

Following is a summary of the requested resources needed to enable us to meet these commitments, with page references for the full explanation.

Patent and Trademark Office

(in Thousands)

	FY 1998 Actual		FY 1999 Currently Available		FY 2000 Base		FY 2000 Request		Increase from FY 2000 Base	
	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars
PTO	5,300	702,621	6,358	806,905	6,692 ⁴	817,101	6,801	902,009	109	84,908
For Transfer to OPM	-	-	-	-	-	-	-	20,041	-	20,041
Total	5,300	702,621	6,358	806,905	6,692	817,101	6,801	922,050	109	104,949

⁴ Some costs associated with the 334 FTE base adjustment have been absorbed within the base. See Exhibit 8 on page 95 for additional detail on full costs in fiscal year 2000.

PATENT BUSINESS

(in Thousands)

	FY 1998 Actual		FY 1999 Currently Available		FY 2000 Base		FY 2000 Request		Increase from FY 2000 Base		
	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	
Patents	4,353	557,420	5,092	634,497	5,302 ⁵	645,193	5,391	713,451	89	68,258	
Patent Production <ul style="list-style-type: none"> • Increase patent examiner staff by 394 positions over fiscal year 1999 • Enhance recruitment and retention of engineers and scientists with competitive compensation packages • Support increased workloads by contracting for technical and administrative staff • Publish additional patents issued due to higher filing levels and higher allowance rates 									79	\$32,471	Page 31
Patent Production Enhancement <ul style="list-style-type: none"> • Increase total examining time by replacing patent examiners with paralegals to handle PCT search reports • Increase production with competitive compensation package, such as broad pay banding 									-	\$7,650	Page 32
Patent Automation – Expand the following electronic workplace systems: <ul style="list-style-type: none"> • Patent Image Capturing System (PICS) • Application Capture and Review System (ACRS) • Tools for Electronic Application Management (TEAM) • Electronic Filing System (EFS) and PatentIn • Global Information Network (GIN) • International Priority Document Exchange (IPDE) 									-	\$7,509	Page 34
Quality Enhancement <ul style="list-style-type: none"> • Addition of a major new commercial database for examiner use, and increased commercial database usage • Information Technology Resource Provider (ITRP) program 									-	\$4,524	Page 38
Eliminate backlogs at the Board of Patent Appeals and Interferences by increasing staff									10	\$718	Page 34
Share of Information Technology Enterprise Infrastructure										\$5,906	
Share of Resource Management										\$3,139	
General and Administrative Costs										\$6,341	
TOTAL INCREASE									89	\$68,258	

⁵ Costs associated with the 210 FTE base adjustment have been absorbed within the base. See Exhibit 8 on page 95 for additional detail on full costs in fiscal year 2000.

TRADEMARK BUSINESS

(in Thousands)

	FY 1998 Actual		FY 1999 Currently Available		FY 2000 Base		FY 2000 Request		Increase from FY 2000 Base	
	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars
Trademarks	625	84,612	923	99,416	1,028 ⁶	99,013	1,047	109,312	19	10,299

Trademark Production <ul style="list-style-type: none"> • Increase Trademark staff by 30 positions over fiscal year 1999 • Increase production with competitive compensation package, such as market priced pay 								15	\$4,222	Page 53
Trademark Automation – Expand the following electronic workplace systems: <ul style="list-style-type: none"> • Trademark Electronic Application Submission (TEAS) • Trademark Information System (TIS) • Trademark Work at Home (TWAH) • Trademark Information Capture and Retrieval System (TICRS) • Trademark Search System (X-Search) 								-	\$5,258	Page 55
Increase staff for the Trademark Trial and Appeal Board to keep up with output from examination								4	\$1,480	Page 54
Share of Information Technology Enterprise Infrastructure									-\$2,165 ⁷	
Share of Resource Management									\$1,504	
TOTAL INCREASE								19	\$10,299	

⁶ Costs associated with the 105 FTE base adjustment have been absorbed within the base. See Exhibit 8 on page 95 for additional detail on full costs in fiscal year 2000.

⁷ This is a decrease as a result of distributing costs based on cost accounting.

INFORMATION DISSEMINATION BUSINESS

(in Thousands)

	FY 1998 Actual		FY 1999 Currently Available		FY 2000 Base		FY 2000 Request		Increase from FY 2000 Base	
	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars
IDO	229	44,972	249	53,510	267 ⁸	52,541	263	57,336	(4)	4,795

<i>Information Dissemination Production</i> • Maintain current production and service levels while addressing higher workloads	(4)	\$2,141	Page 65
<i>Expand Internet Usage</i> • Provide additional patent and trademark data on the PTO Web site	-	\$400	Page 66
<i>Information Dissemination Automation</i> • Maintain patent and trademark databases on the PTO Web site		\$750	Page 66
<i>Share of Information Technology Enterprise Infrastructure</i>	-	\$99	
<i>Share of Resource Management</i>	-	\$1,405	
<i>TOTAL INCREASE</i>	(4)	\$4,795	

⁸ Costs associated with the 18 FTE base adjustment have been absorbed within the base. See Exhibit 8 on page 95 for additional detail on full costs in fiscal year 2000.

POLICY FUNCTION

(in Thousands)

	FY 1998 Actual		FY 1999 Currently Available		FY 2000 Base		FY 2000 Request		Increase from FY 2000 Base	
	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars
Policy	93	15,617	94	19,482	95	20,354	100	21,910	5	1,556

<i>Policy Direction</i>	5	\$538	Page 70
<ul style="list-style-type: none"> • Meet the United States' commitments related to the Agreement on Trade-Related Aspects of Intellectual Property (TRIPs) • Support the Secretary's Africa initiative by strengthening intellectual property conditions for American companies to do business in Sub-Saharan Africa 			
<i>Share of Information Technology Enterprise Infrastructure</i>	-	\$666	
<i>Share of Resource Management</i>	-	\$352	
<i>TOTAL INCREASE</i>	5	\$1,556	

CORPORATE SUPPORT ACTIVITIES

(in Thousands)

	Increase from FY 2000 Base		
	FTE	Dollars	
<i>Corporate Support*</i> <ul style="list-style-type: none"> Facilitate accomplishment of the PTO mission through enhanced financial, procurement, administrative services and space acquisition support. 	-	\$6,400	Page 75
<i>CIO Infrastructure*</i> <ul style="list-style-type: none"> Improved CIO contract management Improved infrastructure monitoring Rolling replacement of PTO equipment 	-	\$4,506	Page 85
<i>TOTAL INCREASE</i>	-	<i>\$10,906</i>	

* The cost of the corporate support and CIO infrastructure activities has been distributed to the three businesses and Policy area.

Exhibit 5

DEPARTMENT OF COMMERCE
Patent and Trademark Office
Salaries and Expenses
SUMMARY OF RESOURCE REQUIREMENTS
(Dollar amounts in thousands)

	Full-Time Permanent Positions	FTE	Budget Authority	Direct Obligations
1999 Enacted Budget.....	7,061	6,358	\$0	\$795,605
Less: Obligations from prior years.....	0	0
Less: Prior year recoveries.....	0	0
Plus: 2000 Adjustments to base.....	0	334	0	21,496 ¹
2000 Base Request.....	7,061	6,692	\$0	\$817,101
Less or plus: 2000 Program Changes.....	228	109	0	84,908
Less or plus: Indirect Cost Transfer to OPM.....				20,041
1998 OMB Planning Ceiling.....	7,289	6,801	\$0	\$922,050
Plus (or less): 1998 Program changes.....	0	0	0	0
2000 Estimate.....	7,289	6,801	\$0	\$922,050

¹ Some costs associated with the 334 FTE base adjustment have been absorbed within the base. See Exhibit 8 on page 95 for additional detail on full costs in fiscal year 2000.

DEPARTMENT OF COMMERCE
Patent and Trademark Office
Salaries and Expenses
SUMMARY OF REQUIREMENTS BY BUSINESS AREAS
(Dollar amounts in thousands)

Exhibit 5

		1998		1999		2000		2000		Increase / (Decrease)	
		Actual		Currently Available		Base		Budget Estimate		From 2000 Base	
		Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount
Core Business Areas:											
Patents.....	Pos./BA	4,839	567,063	5,697	626,343	5,660	645,193	5,850	713,451	190	68,258
	FTE/Obl	4,353	557,420	5,092	634,497	5,302		5,391		89	
Trademarks.....	Pos./BA	712	86,467	998	97,289	1,033	99,013	1,065	109,312	32	10,299
	FTE/Obl	625	84,612	923	99,416	1,028		1,047		19	
Information Dissemination.....	Pos./BA	238	46,026	265	51,973	267	52,541	263	57,336	(4)	4,795
	FTE/Obl	229	44,972	249	53,510	267		263		(4)	
Subtotal Core Business Areas.....	Pos./BA	5,789	699,556	6,960	775,605	6,960	796,747	7,178	880,099	218	83,352
	FTE/Obl	5,207	687,004	6,264	787,423	6,597		6,701		104	
Policy.....	Pos./BA	100	16,328	101	20,000	101	20,354	111	21,910	10	1,556
	FTE/Obl	93	15,617	94	19,482	95		100		5	
Subtotal Patent and Trademark Office.....	Pos./BA	5,889	715,884	7,061	795,605	7,061	817,101	7,289	902,009	228	84,908
	FTE/Obl	5,300	702,621	6,358	806,905	6,692		6,801		109	
Indirect Cost Transfer to OPM	Pos./BA	0	0	0	0	0	0	0	20,041	0	20,041
	FTE/Obl	0	0	0	0	0		0		0	
Total Patent and Trademark Office.....	Pos./BA	5,889	715,884	7,061	795,605	7,061	817,101	7,289	922,050	228	104,949
	FTE/Obl	5,300	702,621	6,358	806,905	6,692		6,801		109	
Less: Financing from Offsetting Collections.....	BA		771,681		860,800		817,101		965,741		148,640
	Obl.		675,621		795,605						
Less: Offsetting Collections (unavailable balances).....	BA		0		108,316		0		115,774		115,774
	Obl.		0		0						
Less: Portion not Available for Obligation (limitation on obligation)	BA		(108,316)		(115,774)		0		(159,765)		(159,765)
	Obl.		0		0						
Less: Prior Year Unobligated Balance Brought Forward.....	BA		20,684		13,263		0		0		0
	Obl.		0		0						
Less: Estimated Recoveries of Prior Year Obligations/Fed Reimb	BA		4,835		0		0		300		300
	Obl.		0		11,300						
Financing/(Rescission) from Direct Appropriated Funds.....	BA		27,000		(71,000)		0		0		0
	Obl.		27,000		0						
Plus: Prior Year Offsetting Collections.....	BA		0		108,316		0		115,774		115,774
	Obl.		0		0						
Total Appropriation.....	BA		27,000		37,316		0		115,774		115,774
	Obl.		0		0						
Plus/Less: Change in Offsetting Collections (unavailable balance)	BA		(108,316)		(115,774)		0		(159,765)		(159,765)
	Obl.		0		0						
Total Budget Authority.....	BA		(81,316)		(78,458)		0		(43,991)		(43,991)

DEPARTMENT OF COMMERCE

Patent and Trademark Office

Salaries and Expenses

SUMMARY OF FINANCING

(Dollar amounts in thousands)

	1998 Actual	1999 Currently Available	2000 Base Amount	2000 Estimate Amount	Increase/ (Decrease) From 2000 Base
Total Obligations:	\$702,621	\$806,905	\$817,101	\$922,350	\$105,249
Financing:					
Offsetting Collections from:					
Unavailable Balances	0	(108,316)			
Federal Reimbursements	(200)	(300)	0	(300)	(300)
Trust funds	0	0	0	0	0
Non-Federal sources/User Fee Collections	(675,421)	(860,800)	(817,101)	(965,741)	(148,640)
Subtotal	(675,621)	(969,416)	(817,101)	(966,041)	(148,940)
Recoveries:					
Estimated Prior Year Obligations	0	(11,000)	0	0	0
Unobligated balance, start of year	0	(13,263)	0	115,774	115,774
Unobligated balance Rescission	0	0	0	0	0
Unobligated balance, end of year	0	115,774	0	(159,765)	(159,765)
Net Change	0	91,511	0	(43,991)	(43,991)
Financing/(Rescission) from Direct Appropriated Funds	27,000	(71,000)	0	0	0
Prior Year Offsetting Collections	0	108,316	0	115,774	115,774
Total Appropriation	27,000	37,316	0	115,774	115,774
Patent Surcharge Fund Fee Appropriations	27,000	0	0	0	0

Executive Summary

The key assets in high-technology industries are often not factories or machines but intangibles such as scientific ideas or the algorithms contained in computer programs. These assets, unlike physical assets, can be used by any number of people at once. Without intellectual property protection, firms and individuals would have insufficient incentive to produce these assets, because they are costly to produce but cheap to copy or imitate. In recognition of this problem, the U.S. Constitution empowers the Congress to “promote the Progress of Science and useful Arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.” Intellectual property laws do just that.¹

Corporate Plan-2000 is an integrated performance plan and budget request. This executive summary links our mission and strategic goals to the Departmental mission and strategic themes. It then lays out our Year 2000 Commitments to Vice President Gore as a High Impact Agency. Next, it shows the integration of the Department’s strategic themes, our strategic goals, our performance goals and our specific commitments to meet those goals. Specific goal and performance measure information, along with required resources, is documented in the subsequent sections of this plan.

PTO in the Department of Commerce

The PTO’s mission is to promote industrial and technological progress in the United States and to strengthen the national economy by administering the laws relating to patents and trademarks, and advising the Administration on patent, trademark, and copyright protection, and the trade-related aspects of intellectual property. This mission is carried out through two strategic goals:

- Play a leadership role in intellectual property rights policy, including trade-related intellectual property issues for which we have responsibility.
- Provide our customers with the highest level of quality and service in all aspects of PTO operations.

This mission and strategic goals, along with the PTO’s four performance goals on which this Corporate Plan is based, directly support the Department’s mission (depicted in Figure 1) as follows:

The Department of Commerce promotes job creation, economic growth, sustainable development and improved living standards for all Americans, by working in partnership with business, universities, communities and workers:

¹ Economic Report of the President, transmitted to the Congress February 1998: page 209.

To build for the future and promote U.S. competitiveness in the global marketplace, by strengthening and safeguarding the Nation's economic infrastructure;

Intellectual property protection is a key component in the success of the American economy and it enables us to operate more effectively in the global economy. By protecting intellectual endeavors, the PTO seeks to foster our Nation's technological edge, which is a key to our current and future competitiveness. Innovation is a national resource that contributes to our economic base and provides a catalyst for economic prosperity through the accumulation of scientific knowledge and the introduction of new products and services. By ensuring adequate protection for innovations through patents, trademarks and copyrights, the United States encourages businesses to risk investment for research, development, and marketing. Consumers benefit from the availability of new/improved products, jobs and wealth.

To keep America competitive with cutting-edge science and technology and a world-class information base;

The knowledge disclosed through a patent grant contributes to the advance of science and technology, on which our Nation's economy is built. Disclosure of the information contained in a patent grant provides the public with information about the most recent state of technological development. In addition, a patent offers the necessary information and stimulation for continuing development, and directs those interested in the exploitation of an invention to the relevant source of technology. The trademark system helps promote order and certainty in the Nation's economic infrastructure. The introduction of new products and services is made easier and less risky by the availability of information concerning trademarks in use by others. Using this information, a mark can be selected which will distinguish new products and services from others and thereby avoid confusion in the minds of customers.

To provide effective management and stewardship of our Nation's resources and assets to ensure sustainable economic opportunity.

PTO is cognizant of its responsibility for providing effective management and stewardship of the Nation's intellectual property resources by administering the laws related to patents and trademarks, and providing customers with the highest level of quality and services. In doing this, PTO emphasizes timeliness in processing applications and the quality of issued patents and registered trademarks. These high levels can be provided only through enhancing our human resources, leveraging information technology, employing better processes and effectively managing resources.

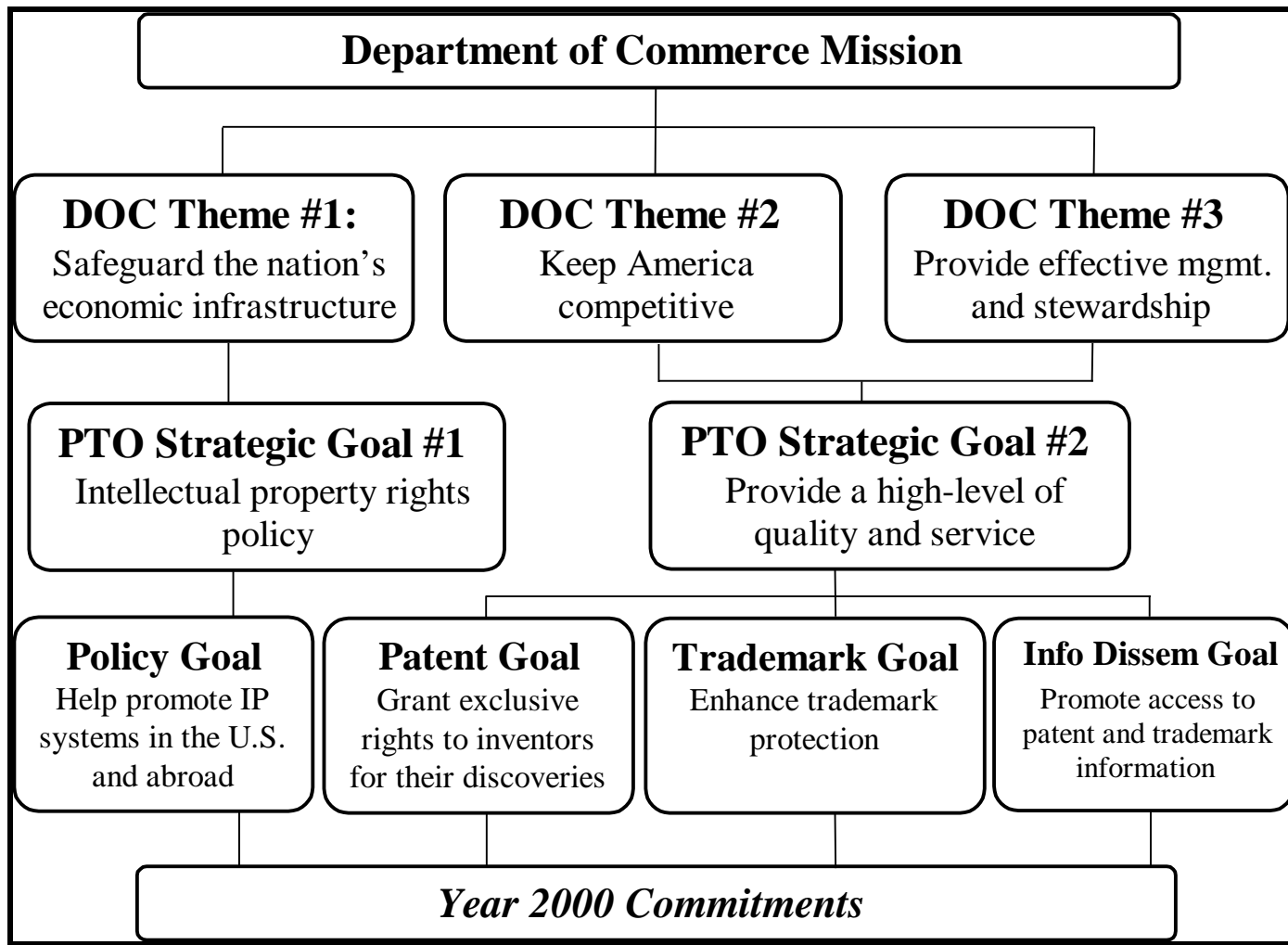


Figure 1

Year 2000 Commitments

As one of Vice President Gore's High Impact Agencies, we crafted a series of commitments that will enhance customer satisfaction with the PTO because we are emphasizing our core business strengths of providing high quality and timely products and services to our customers. We also fully support the transition to electronic commerce.

In the past, we have focused primarily on the timeliness of the patent and trademark processing pipelines. However, like any other business that wants to be competitive in the 21st century market place, we recognize the importance of quality and customer satisfaction. Therefore, we have broadened our focus from one of timeliness as the principle path for achieving customer satisfaction to a multi-path effort incorporating timeliness, quality, and cost. We will continue to monitor and measure customer satisfaction, and incorporate process improvements into the business pipelines.

The quality of our processes, services and products overlays all of our activities. Our quality programs focus on our customers, employees and organization, and are characterized by coordination, communication and commitment. Our formal quality programs trace back to the early 1960s. Since that time, we have focused on the quality of the patent and trademark grant through the respective Quality Review Programs. We focused on employees through the establishment of training programs, such as the Patent Academy and the Examiner Education Program.

In the 1990s, we embraced reengineering with its emphasis on customer service and satisfaction. For the first time, service measurements were taken with customer feedback. The Center for Quality services was established. Quality also was emphasized at the lowest levels of the organization, such as the Quality Assurance Specialists in Patent Technology Centers and the Root Cause Problem Solving initiative in Trademarks.

For the future, we are identifying strategies to achieve an integrated quality effort across the entire PTO which is characterized by greater communication and increased sharing of quality-related information. This effort is one of the Acting Commissioner's highest priorities for the PTO.

Specific customer-focused strategies and projects are discussed in each of the business area sections of this document.

Our *Year 2000 Commitments* will generate enhanced customer satisfaction with the PTO. These commitments are as follows:

- We will reduce our processing time for patent original inventions to 12 months in 2003.
- We will test reengineered processes and automated systems, and be ready to deploy electronic processing of patent applications in 2003.
- We will reduce our trademark processing time to 3 months to first action, and we will offer electronic filing capabilities to our customers.

- Electronic applications will be available on our Web site, and
 - Trademark customers will be able to file applications and related papers electronically.
- We will partner with the World Intellectual Property Organization (WIPO) to achieve electronic filing of Patent Cooperation Treaty (PCT) applications and, in 2000, electronically receive and process PCT applications at the PTO.
- We will enable customers to use the Internet:
 - to request the status of their patent and trademark applications,
 - to place orders and receive products, and
 - to access patent and trademark data.
- We will establish a fee schedule that encourages participation in the patent and trademark systems and which is aligned with costs.
- We will offer our employees innovative training programs at PTO University and work-at-home opportunities.

These *Year 2000 Commitments* are the outgrowth of the performance goals of our three businesses and Policy function. As depicted in the following graphic, each of these performance goals is linked directly to one of the strategic themes of the Department's mission. Corporate Plan-2000 is centered on achieving customer satisfaction by meeting our *Year 2000 Commitments*.

Department Theme	PTO Strategic Goal	Organization	Performance Goal	Year 2000 Commitments
Build for the future and promote U.S. competitiveness in the global marketplace, by strengthening and safeguarding the Nation's economic infrastructure.	Play a leadership role in intellectual property rights policy, including trade-related intellectual property issues for which we have responsibility.	Policy Function	Help protect, promote and expand intellectual property rights systems throughout the United States and abroad.	Partner with WIPO to achieve electronic filing of Patent Cooperation Treaty applications.
Provide effective management and stewardship of our nation's resources and assets to ensure sustainable economic opportunities.	Provide our customers with the highest level of quality and service in all aspects of PTO operations.	Patent Business	Grant exclusive rights, for limited times, to inventors for their discoveries.	<p>Reduce processing time for patent original inventions to 12 months in 2003.</p> <p>Test reengineered processes and automated systems, and be ready to deploy electronic processing of patent applications in 2003.</p> <p>Partner with WIPO to achieve electronic filing of PCT applications and, in 2000, electronically receive and process PCT applications at the PTO.</p>
Provide effective management and stewardship of our nation's resources and assets to ensure sustainable economic opportunities.	Provide our customers with the highest level of quality and service in all aspects of PTO operations.	Trademark Business	Enhance trademark protection.	Reduce trademark processing time to 3 months to first action, and offer electronic filing capabilities to our customers.
Keep America competitive with cutting-edge science and technology and an unrivaled information base.	Provide our customers with the highest level of quality and service in all aspects of PTO operations.	Information Dissemination Business	Promote awareness of, and access to, patent and trademark information.	Enable customers to use the Internet to place orders and receive products, and to access patent and trademark data.

The remaining two commitments, relating to our fee schedule and workforce transition, are crosscutting management initiatives.

Details on accomplishments to date in meeting these commitments, plans for fiscal year 2000 and beyond, and other performance information are described in detail in the subsequent sections of this Corporate Plan.

Economic Review and Outlook

The robust U.S. economy contributes directly to increased PTO workloads. The U.S. economy is in its eighth consecutive year of expansion. Inflation and unemployment are near historically low levels and the Federal budget is balanced. With positive, but more modest economic growth through fiscal year 2000, we expect the demand for PTO products and services to continue to expand as well.

The consensus economic forecast calls for modest GDP growth (i.e., an average annual rate of 2.0 percent) through fiscal year 2000, a slightly slower pace than in 1998. Inflation as measured by the Consumer Price Index for all urban consumers (CPI-U) is expected to increase at an annual rate of 2.0 percent. The CPI-U has been very stable over the last three years with an average annual change of less than 0.6 percent. The rate of change in the CPI-U is the maximum rate at which the PTO can increase its fees. The unemployment rate should remain near 5.0 percent through fiscal year 2000, suggesting a tight labor market in the near future.

The greatest economic threats to the U.S. economy at this time are declining trade with global trading partners and the possibility of a major decline in U.S. equity markets. Financial crises in Russia, Japan, Indonesia, Brazil, and other countries have spilled over into major global markets. As a result, equity markets in the United States experienced short-term sell-offs and U.S. exports to some areas declined during 1998. A longer-term decline in U.S. equities would dampen consumer confidence and likely affect consumer spending. With consumer spending as the largest component of GDP (including exports), such a decline would increase the chances for a downturn in the United States economy. However, the U.S. economy remains strong with the equity markets recovering all of their losses and achieving new highs in early January 1999.

What does this mean for the PTO? In general, our workload and revenue should continue to rise as a result of continuing economic growth combined with moderate inflation. Potential PTO trouble spots are hiring and retention of employees with specialized skills and, from an external perspective, demand from foreign customers. With both R&D and consumer spending increasing, there undoubtedly will be a greater need in the future for both patent and trademark protection. We are projecting patent application filings to increase at an annual compound rate of 7.4 percent through fiscal year 2000. At this time, trademark application filings are expected to increase by 10.0 percent. Because the growth rate in 1998 fell below this level, we are monitoring the situation to determine if growth will continue at the higher levels.

Several problems could require us to revise our forecasts. With tight labor markets and Federal salaries which are not commensurate with the private sector, PTO might have difficulty hiring and retaining staff with certain specialized skills. Also, demand from foreign customers could slow down given the global financial and economic difficulties currently being experienced. Customers in Japan, Russia, Indonesia, Malaysia,

Philippines, South Korea, and Thailand will most likely be hit the hardest by a falloff in economic activity. As a result, our revenue from these and other countries may decline or grow at a slower rate through fiscal year 2000. Assuming stable conditions in Europe and the United States, however, PTO should not be significantly affected by such losses.

Overall, continued prosperity and greater stability in the United States should set the tone for our domestic and foreign customers. PTO is committed to supporting natural economic growth by efficiently and effectively supplying the intellectual property rights necessary to promote innovation and productivity growth.

Evaluations

In 1994, we began holding focus sessions with customers to determine their needs and expectations. These sessions resulted in the development of customer service standards relating to timeliness, accuracy, and responsiveness of the PTO in delivering its products and services. In 1995, we began surveying customers to establish baselines and, subsequently, to measure progress towards customer satisfaction with the three business units in general and with specific goals and objectives. These customer-driven evaluations have guided the PTO's strategic and corporate planning (i.e., annual performance planning) processes. We have continued to measure overall customer satisfaction for the three business units. Patent and trademark customers were surveyed in the summer of 1998, and Information Dissemination customers will be surveyed again at the beginning of the summer of 1999. The latest customer satisfaction measures are included on page 42 for Patents, page 58 for Trademarks and page 67 for Information Dissemination.

We also are committed to incorporating employee input into our strategic and corporate planning processes. In 1995, we conducted an all-employee culture survey, and we recently conducted another all-employee survey under the auspices of the Office of Personnel Management. As one of the HIA agencies, in August 1998, a random sample of PTO employees was asked to participate in the first National Partnership for Reinventing Government survey. The results of these surveys currently are being analyzed. The results of the PTO all-employee survey are reported on page 42 for Patents, page 58 for Trademarks, and page 67 for Information Dissemination.

The National Academy of Public Administration (NAPA) approached the PTO to conduct an outreach program with PTO stakeholders and customers for the purpose of defining and measuring end-outcomes of the US patent and trademark systems. NAPA set up and facilitated two sets of sessions with patent and trademark stakeholders and customers, respectively, in October 1998 and in January 1999. Invited to the sessions were independent inventors, patent and trademark practitioners, industry representatives, academicians, economists, PTO senior executives, and experts in performance measurement. The sessions focused on three key questions:

- What is the purpose of the PTO in today's world as perceived by the PTO's stakeholders?
- What is the value to the US stakeholder of patents issued, trademarks registered, and the US patent and trademark systems?

- How can the value of US patents and trademarks be measured?

Concurrently with the stakeholder sessions, NAPA is conducting an academic study of the value of the patent and trademark systems, and, more specifically, the value of a patent grant and trademark registration. NAPA assembled a group of graduate students from a public administration graduate school to conduct an in-depth literature review on these topics.

NAPA will compile transcripts from the patent and trademark stakeholder sessions; summarize findings from the stakeholder sessions and from the academic research; present these findings and recommendations for action to a panel of NAPA Fellows; and then submit their findings and recommendations to the PTO and to those stakeholders and customers who participated in the end-outcome sessions. PTO will share this information with the Administration and the Congress including any follow-on plans.

Inter-Agency Collaborations

We collaborate with numerous Federal agencies in accomplishing our mission and HIA performance commitments.

Our Patent Business works closely with the Departments of Defense and Energy, and the National Aeronautics and Space Administration in handling patent applications having national security implications. We work with the Department of Health and Human Services in handling both AIDS-related and recombinant DNA information. We also work with the Food and Drug Administration with regard to patent term extensions for drug-related patents that have received regulatory review.

Our Trademark Business works with the Department of Treasury's U.S. Customs Service regarding counterfeit goods or services.

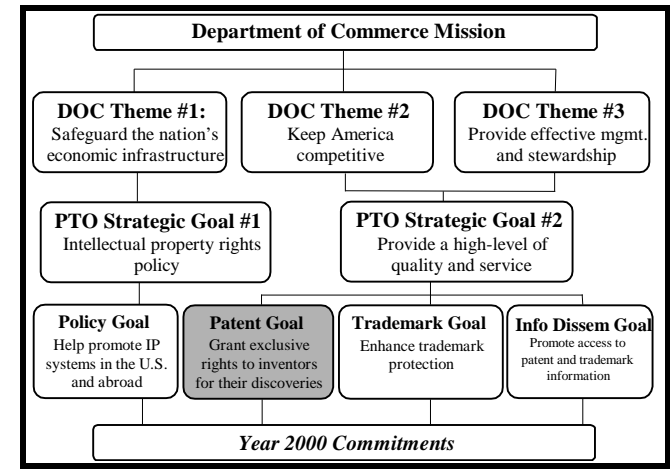
Our Information Dissemination Business provides an annual report on patent statistics to the Census Bureau for the Statistical Abstract of the United States, and partners with the National Science Foundation on the Report to the President on Science and Engineering Indicators. The Government Printing Office replicates our CD-ROM products and makes them available to their depository libraries. We also provide the U.S. Customs Service with CD-ROMs of trademark information.

Our Office of Legislative and International Affairs (Policy) collaborates with the Department of State, the Office of the United States Trade Representative (USTR), and the International Trade Administration in the formulation and negotiation of proposals for the protection of intellectual property, both at home and abroad. We also advise the USTR on unfair foreign trade practices for intellectual property (Section 301).

Patent Business

The Patent Business is one of the PTO's three core businesses. The primary mission of the Patent Business is to help customers get patents. We accomplish this mission by comparing the claimed subject matter of an inventor's application for a patent to a large body of existing technological information to determine whether or not the claimed invention is new, useful and non-obvious to someone knowledgeable in that subject matter. In the course of examining patent applications, patent examiners make determinations on patentability, prepare answers to briefs on applications appealed, make holdings of abandonments, recommend institution of interference proceedings to determine priority of inventorship, and act on other post-interference issues in accordance with the provisions of 35 U.S.C. and 37 C.F.R.

A United States patent confers on the owner of innovative technology the right to exclude others from importing, making, using, offering for sale or selling the patented invention in the United States in exchange for a full and complete disclosure of the invention. A patent represents a valuable asset and, as such, it attracts the necessary capital to establish, expand, and maintain U.S. industries not only in the United States, but also around the world. Therefore, we play a central role in supporting the Department's strategic goal to provide effective management and stewardship of our nation's resources and assets to ensure sustainable economic opportunities.



The Patent Business Environment

We have experienced a steady growth and change in the technological profile and complexity of application filings in the past decade. While the actual average annual growth rate of utility, plant and reissue (UPR) filings from 1988 through 1998 has been about 6 percent, some technologies -- such as communications, computer software and semiconductors -- have experienced significantly higher growth rates. These technologies are also more complex, requiring more time to examine and a commensurate rise in the level of knowledge and skills of patent examiners. Therefore, taking into account the average historical growth rate of the past decade, the changing mix of application filings from different industries, and other economic indicators that affect patent application filings, we expect to continue to grow and face new business challenges well into the next century.¹

We are challenged with implementing reengineering and automation development projects in order to ensure our operational effectiveness in the 21st century. Having opened in March 1998, the Working Laboratory has begun experimenting with new roles, responsibilities and relationships and testing reengineered processes for possible incorporation into the Patent Business. The lab is staffed with 24 participants representing various technologies, with participants grouped into four teams. Teams include adjudicators (examiners) along with a patent analyst and/or a patent

¹ Major economic indicators accounted for are R&D expenditures and GDP, adjusted for inflation.

assistant. The objectives of the lab are: (1) to improve patent application processing; (2) to train technical support personnel to perform application processing functions so as to enable the adjudicators to focus more time on legal and technical activities; (3) to encourage teamwork and collaboration among team members; (4) to improve the quality of examination; and (5) to improve both customer and employee satisfaction. Lab participants are enthusiastic about working in this innovative environment where examiners and support staff are motivated to interact in new ways that are mutually beneficial. In October 1998, the Patent Reengineering Lab entered its second phase of operation. Based on the observations and results of the first phase, standard operating procedures were developed to delineate the duties and functions of Lab personnel. This phase of Lab testing is scheduled to run through March 1999. During this phase, data collected will be analyzed to evaluate the performance of the lab against the objectives. The Office will specifically concentrate on identifying those portions of the process or parameters that have provided positive results and that can be extended to the rest of the Patent Business. Subsequently, our plans include piloting the successful components of the lab within a segment of the Technology Centers to determine if the results would continue to be positive when applied to a larger non-laboratory environment.

We are collaborating with our human resources organizations to develop a transition plan for individuals who will be affected by the implementation of reengineered business processes and deployment of automated systems. Our transition plan strategies include retraining, career counseling, a re-careering center, aggressive outplacement, and targeted buyouts. Also included in the transition plan is a program that provides work opportunities for technical employees through reimbursable service agreements with other Federal entities.

During fiscal year 1998 we reduced by over 100 days the time needed for initial processing of patent applications. This not only contributes to our fiscal year 1999 interim goal of achieving a 12-month internal processing time for 75 percent of all inventions, but is leading to increased customer satisfaction as well. (Applicants are now receiving filing receipts in less than one month, as compared to four months only one year ago.) Also in 1998, the Patent Examining Corps realigned the 17 Examining Groups into six Technology Centers. These Technology Centers are technology-specific groups that parallel technology areas in private industry; they focus resources to meet specific customer requirements; and they allow us to take advantage of new management concepts and techniques. The Technology Center structure enables us to offer customers improved service and responsiveness. It allows us to customize resources and services, and helps us streamline processes. It also allows greater partnering with industry in developing technology-specific training, and enables us to better anticipate and respond to specific industry needs.

We have developed and are implementing major automation projects, such as the Patent Image Capture System (PICS) and the Application Capture and Review System (ACRS), which convert paper applications into electronic format, a necessary prelude for further automated application processing.

Information technology is improving the ability of our examiners to perform their duties. This includes: the deployment of the Image Search and Retrieval system and the addition of more than 20 million foreign patent documents and 250 technical journals to the automated search databases; and the Examiner's Toolkit, which is a collection of electronic indices, custom applications, and commercial databases. As a result of these improvements, examiners can perform searches of all patent images from their desktops. The establishment of the Patent Application Location and Monitoring system on an Intranet provides the means by which employees, from their desktop, can locate an application and promptly respond to questions from customers on the status of their applications.

A strong economy with a near-record low unemployment has caused stiff competition with the private sector for qualified candidates to fill patent examiner positions and other key vacancies. We also are challenged by the need to respond to customer expectations regarding the quality and timeliness of the patent process. We are committed to President Clinton's Framework for Global Electronic Commerce, whereby we will become more efficient to meet the needs of the fast-moving electronic age.

The average annual growth rate of UPR applications over the past 10 years has been in excess of 6 percent. However, we experienced an annual growth rate of almost 9 percent in 1998 and are projecting 8 percent in 1999 and 7 percent in 2000, for a total of 277,000 UPR patent application filings (or 233,000 inventions). Projections of UPR application filings for fiscal years 1999 and 2000, along with key workload indicators under the Patent Cooperation Treaty (PCT), are presented in Table 1.

Table 1

Key Workload Indicators								
	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Utility, Plant, and Reissue (UPR) Patent Applications Filed²	174,553	186,123	221,304 ³	191,116	220,773	240,090	259,000	277,000
Percentage Increase of UPR Application Filed	-	7%	19%	-14%	16%	9%	8%	7%
Inventions Filed⁴	-	-	-	158,427	182,805	201,777	218,000	233,000
Percentage increase of inventions	-	-	-	-	15%	10%	8%	7%
PCT Chapter I Applications Filed	12,389	14,265	15,941	20,106	22,767	27,138	31,000	35,300
PCT Chapter II Applications Filed	6,601	7,250	8,452	9,194	11,577	13,570	16,300	18,600
UPR Disposals (allowed and abandoned)	165,260	172,281	173,129	180,196	196,688	203,227	221,000	234,000
Average Pendency (months)⁵	19.5	19.0	19.2	20.8	22.2	-	-	-
Average Cycle Time (months)	-	-	-	14.6	16.0	16.9	10.9	10.2

² Based on fiscal year 1998 actual filings, we have revised our fiscal year 1999 projections to 259,000 UPR applications from the original 243,000 estimate submitted in our 1999 Corporate Plan. Thus, in the aggregate, our fiscal year 2000 projection represents an increase of 34,000 UPR applications over our original estimate in fiscal year 1999.

³ Part of this increase and the drop in the following fiscal year are attributed to the change in the patent term effective June 8, 1995.

⁴ The PTO has transitioned to tracking inventions rather than applications. The PTO expects that a natural result of expedited office actions will be a decline in *continuations*, or second applications filed to continue the prosecution of a prior application. Therefore, tracking the number of invention filings will serve as a more reliable and consistent measure of workload over time. Information on original inventions filed prior to fiscal year 1996 is not available.

⁵ The Patent Business has transitioned from pendency to cycle time. Information on cycle time prior to fiscal year 1996 is not available.

The Patent Business Case

The timely issuance of patents, as measured by cycle time for processing an invention, is critical from the standpoint of the inventor as well as for ensuring the operational effectiveness and financial stability of our business. Since the term of utility patent protection begins on the date the patent is issued and ends 20 years from the filing date of the invention, cycle time directly impacts the term of patent protection for our customers. Patent customers rely on timely feedback and action on their applications in order to take advantage of the economic opportunities a patented invention affords. To maintain financial stability, we must continuously strive to decrease cycle time and maintain high quality standards, while avoiding a decline in our output or patent disposals. Patent disposals include patents issued. Patent issue and maintenance fee revenue result from patents issued.

In order to have the capability to meet the demands of examining patent applications as the number of filings continues to grow and applications become more complex, we have adopted a two-pronged strategy: (1) add to our examiner cadre, and (2) continue the implementation of process reengineering and automation activities. The level of productivity expected from this strategy will allow us to slow down hiring in future fiscal years. Therefore, our hiring plans for fiscal year 2000 account for the production gains anticipated from reengineering and automation activities and reflect a diminishing rate of growth in patent examiners. More specifically, in fiscal year 2000, the growth rate in examiner FTE will drop from the planned 13 percent growth in fiscal year 1999 to 10 percent in fiscal year 2000. Similarly, our long-term plans reflect a continuing drop in the growth rate of examining personnel, from the planned 10 percent growth in fiscal year 2000 to two percent in fiscal year 2004. The improved level of productivity expected from the above mentioned strategy will result in a 39 percent reduction in average cycle time from fiscal year 1998 to 2000. In the long-term, we will achieve our goal of reducing cycle time to 12 months for all inventions in 2003 thus maximizing the business potential of patent term for inventors and increasing awareness among patent employees of the business impact of their decisions.

In 1995, the GATT legislation changed the patent term length from 17 years from issue date to one that begins on the issue date and ends 20 years after the earliest effective filing date claimed by the applicant. As a result, time spent by the PTO in processing an application now directly impacts the effective length of the patent term. In response to this change, we have changed our measure from traditional pendency to processing time, or **cycle time**.⁶ This allows the PTO to measure the time the Office spends on processing an invention but not the time attributable to applicants, such as the time that the PTO awaits an applicant's reply. In other words, any delays in processing will affect the patent term so those delays attributable to applicants are not counted toward PTO cycle time. Also, whereas pendency tracked individual patent applications and separately tracked *continuations* or second applications filed to continue the prosecution of a *parent* application, cycle time tracks inventions regardless of the number of applications filed on that invention.

⁶ Cycle time is a composite measure of three components of PTO processing time: (1) cycle time from filing to first action, measured by the average PTO processing time for all new applications that are pending first Office action, (2) cycle time from first action to disposal, measured by the average PTO processing time of all cases pending after first Office action, and (3) cycle time from allowance to publication of the patent grant, measured by the average PTO processing time of all allowed cases in the publication process.

Year 2000 Commitments

All Patent Business activities planned for fiscal year 2000 support one or more of our *Year 2000 Commitments* to Vice President Gore:

- Reduce patent processing time to 12 months for all inventions in 2003.
- Deploy electronic processing of patent applications in 2003.
- Enable customers to use the Internet to conduct business electronically.

Business Goals and Objectives

All Patent Business activities planned for fiscal year 2000 directly support the Patent Business macro performance goal and one or more business goals.

The Patent Business macro performance goal is to grant exclusive rights, for limited times, to inventors for their discoveries. In direct support of this goal, and in concert with the mission of the Patent Business, we have delineated the following business goals.

- Reduce PTO processing time to 12 months or less for all inventions in 2003.
- Establish fully supported and integrated Industry Sectors.
- Receive applications and publish patents electronically in 2003.
- Exceed our customers' quality expectations, through the competencies and empowerment of our employees.
- Align fees commensurate with resource utilization and customer efficiency.

Table 2

Operational Budget (Dollar amounts in thousands)						
	FY 1998 Actual		FY 1999 Estimate		FY 2000 Request	
	FTE	Dollars	FTE	Dollars	FTE	Dollars
Patent Process	3,929	\$434,299	4,721	\$477,832	4,910	\$543,306
Information Technology⁷	236	\$80,174	184	\$107,162	240	119,633
Development		\$2,177		17,503		24,598
IT Infrastructure		\$77,997		89,659		95,035
Resource Management	188	\$42,947	187	\$49,503	241	50,512
Patent Total	4,353	\$557,420	5,092	\$634,497	5,391	\$713,451

For fiscal year 2000, we propose a budget of 5,391 FTE and \$713,451,000. This represents an increase of 299 FTE and \$78,954,000 over the fiscal year 1999 operating budget or an increase of 89 FTE and \$68,258,000 over base⁸. Cost estimates also include the Patent Business' share of resource management and information technology infrastructure, distributed in accordance with our activity-based cost accounting model. The corresponding increase in patent application filings represents a 7 percent increase over fiscal year 1999 estimates, or a projected fiscal year 2000 workload of 277,000 utility, plant and reissue (UPR) applications, compared to a projected 259,000 applications in fiscal year 1999⁹. The number of invention filings projected for fiscal year 2000 (233,000) also represents a 7 percent increase over the fiscal year 1999 estimate (218,000).

⁷ Cost estimates for IT Development are direct. IT infrastructure cost estimates are burdened and distributed in accordance with our activity-based cost accounting model.

⁸ Costs associated with the 210 FTE base adjustment have been absorbed within the base. See Exhibit 8 on page 95 for additional detail on full costs in fiscal year 2000.

⁹ Based on fiscal year 1998 actual filings, we have revised our fiscal year 1999 projections to 259,000 UPR applications from the original 243,000 estimate submitted in our 1999 Corporate Plan. Thus, in the aggregate, our fiscal year 2000 projection represents an increase of 34,000 UPR applications over our original estimate for fiscal year 1999.

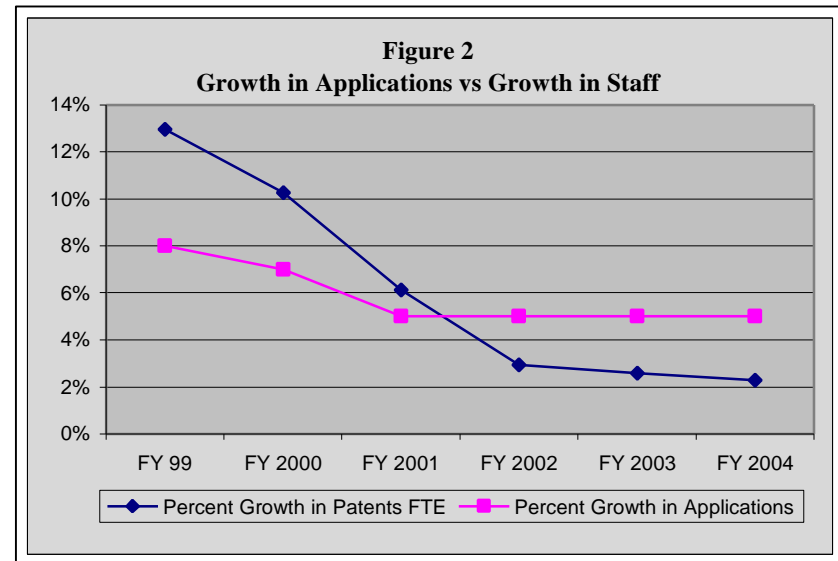
Production

In order to address the projected growth in workloads and also achieve our cycle time targets, we have taken a two-pronged approach: increase our production capability by hiring new examiners and improve our per capita productivity by attracting highly qualified scientists and engineers by offering them an attractive compensation package. For this effort, we request an increase of 79 FTE and \$32,471,000. This hiring strategy is expected to reduce cycle time by 2.1 months in fiscal year 2001. The rate of increase in examiner FTE relative to the percentage growth in application receipts is illustrated in Figure 2.

As stated earlier, some of the more complex areas of technology, such as communications and information processing, as well as physics, optics, systems components and electrical engineering, are currently experiencing the highest growth in patent application filings. Therefore, they would require a commensurate increase in examining staff. According to the Bureau of Labor Statistics, the computer science and engineering occupational group is forecast to be one of the top ten groups with the fastest employment growth until the year 2006. On the other hand, the National Center for Education Statistics reports that the number of undergraduate degrees awarded in the computer science curriculum fell by 43 percent between 1986 and 1994. In response to the limited human resources available in these disciplines, we are requesting resources for implementing a ten percent recruitment bonus program for candidates with a B.S. degree in either electrical and computer engineering, or computer science. In addition, those applicants with a record of superior academic achievement are eligible to be hired at a special pay rate.

Over time, increasing application filing levels have naturally led to more patent disposals and issues and will continue to do so, as illustrated in Table 3 below. This, and an increasing allowance rate resulting from process changes, will produce 155,000 patents issued in fiscal year 2000. Compared to the fiscal year 1996 baseline, this represents a 47 percent increase in the number of patents issued. A commensurate \$14,000,000 increase in publication and printing costs is included in our fiscal year 2000 request.

Also included in the above stated request is an increase for additional contractor support for the technical functions within the examination pipeline. As part of our strategic plan to move to an electronic work environment and change the way we do business, we have not increased our clerical support staffing levels since 1992. Rather, the number of support positions has declined by 12 percent from 1,430 in 1992 to 1,265 in 1997. During that period, application filings grew by an average of 5 percent per year. Increases in Patent Cooperation Treaty (PCT) application filings are even higher, currently averaging 14 percent per year. The requested contractor support functions include tasks integral to the patent production



pipeline, such as the administrative review of patent applications and PCT services, as well as technical tasks within the Examining Corps. Specifically, contractor support would provide technical assistance to examiners and supplement the technical tasks inherent to the examination process: file room management, copying services, initial application processing, data entry, file retrieval, application scanning, library services support, etc.

Table 3

Performance Results at the Requested Level of Funding					
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Number of patent disposals	234,000	286,000	298,000	315,000	322,000
Average Cycle Time (months)	10.2	10.0	9.6	9.4	9.4
Pending applications awaiting examiner action (EOY)	209,000	204,000	196,000	196,000	200,000

The Patent Business cycle time reduction plan is a multifaceted effort flowing from the Patent strategic planning process and the business planning being conducted within the Technology Centers. In addition to process improvements currently being tested in the Working Lab and the production enhancement activities discussed below, we are moving ahead on several other fronts to reduce cycle time. Within the examination process itself, we are placing emphasis on reducing the amount of time needed for an examiner to render a first office action on an application. Examiners are now communicating with applicants by telephone and personal interviews, thereby reducing the total number of office actions per disposal, and therefore reducing the processing time for amended applications from 90 days to 55 days. These actions will result in a cycle time reduction of 2.0 months in fiscal year 1999. We also expect to reduce cycle time in the post-examination phase by pre-keying allowed files prior to payment of issue fees. This will reduce cycle time by 1.4 months in fiscal year 1999.

Production Enhancement

Other production enhancement activities with an impact on cycle time are discussed below, for which the Patent Business requests \$7,650,000.

We propose to reassign selected PCT functions to paralegals, thus relieving patent examiners of non-examination duties. Specifically, paralegals will have responsibility for the administrative task of establishing an International Search Report in those PCT cases in which an examiner has already completed a search and at least rendered a first action on the related U.S. case with the same invention. There are several benefits associated with this change in procedure. Not only will it be more efficient to have GS-9 paralegals performing this task rather than the Corps average GS-12 examiner, but 31 FTEs of examiner time no longer spent on this task will be re-directed to examining U.S. applications.

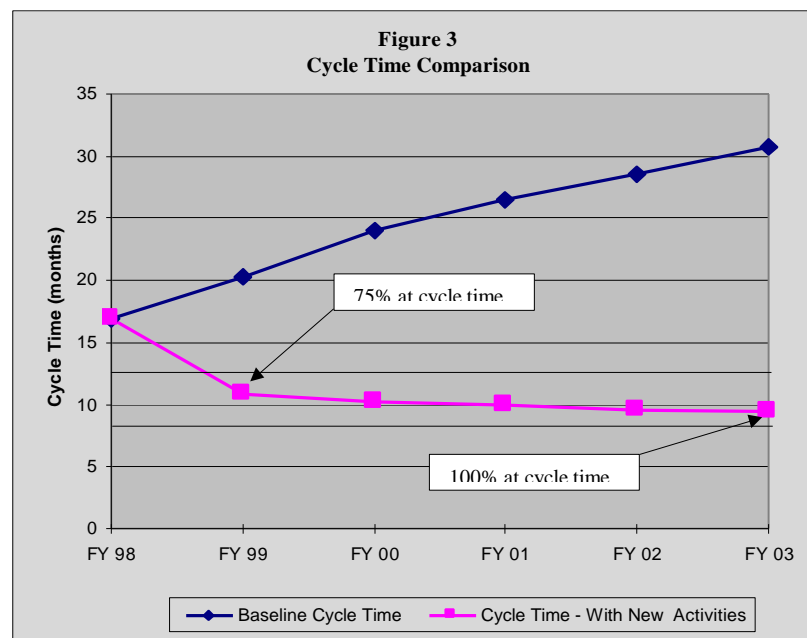
A similar effort to channel production back into the examination pipeline is an initiative to hire attorneys to work in the Office of Petitions instead of staffing the office with examiner detailees from the Corps. The Office of Petitions renders decisions on various types of petitions filed, monitors court decisions, proposes statutory amendments and reforms, reviews international treaties, and defines patent policy and practice. Just as in the PCT proposal above, examiners will be relieved to examine cases. Attorneys, by virtue of their legal background, are expected to bring added competence in dealing with matters of law, such as the Administrative Procedures Act and the Freedom of Information Act (issues that would not normally be within the expertise of an examiner). They also would have proficiency with complex legal issues, such as those under the Patent Cooperation Treaty. Having permanent staff would provide consistency in handling petition cases filed and would assist the office in bringing down its growing backlog of petitions awaiting decision.

A similar effort is proposed for the Patent Assistance Center (PAC). The PAC provides a toll free number for customers to call with patent related questions of a general nature. While currently staffed with detailees from the Patent Corps and the Office of Petitions, this activity would replace them with retired patent examiners on contract to the Office. The PAC has been experiencing a steady increase in the number of calls received. In September 1998, the volume of calls was 419 percent over the same period last year. While this is above the average increase for the year, it is indicative of the growing public demand for this service. The use of contracted personnel would provide permanent staff who are familiar with patent examining functions and have the time to expand their knowledge of other PTO operations to better assist callers. An ancillary part of this increase provides for the creation of an Internet Web site on the PTO homepage providing answers to frequently asked questions. This feature is expected to reduce the number of calls received by the PAC.

These three activities will have a combined effect of reducing cycle time by three-tenths of a month in fiscal year 2000.

We also plan to implement an alternative compensation system in the Patent Business beginning in 2000. This new broad pay banding system will provide the patent leadership greater flexibility in managing human resources by establishing a strong pay-for-performance classification system. This initiative is designed to increase examiner retention and improve productivity, thus directly contributing to the accomplishment of our cycle time goal. The implementation of this “pay for performance” activity in 2000 will generate an annual 1.2 months reduction in cycle time beginning in fiscal year 2001, provided there is agreement with representatives of the bargaining unit. Details on how we will study and implement alternative compensation systems at the PTO are included in the Corporate Support section of this document.

The activities described in this section will result in significant performance improvements over baseline measures and are crucial for achieving our 12-month cycle time goal, as illustrated in Figure 3. In the aggregate, cycle time will drop by 1.5 months from fiscal year 1999 to 2003 and all



inventions will be at 12 months cycle time or less. These efforts also will improve the number of weighted applications disposed per examiner FTE from the current 89.4 to 91.6, a 2 percent increase over 1998 actual performance.

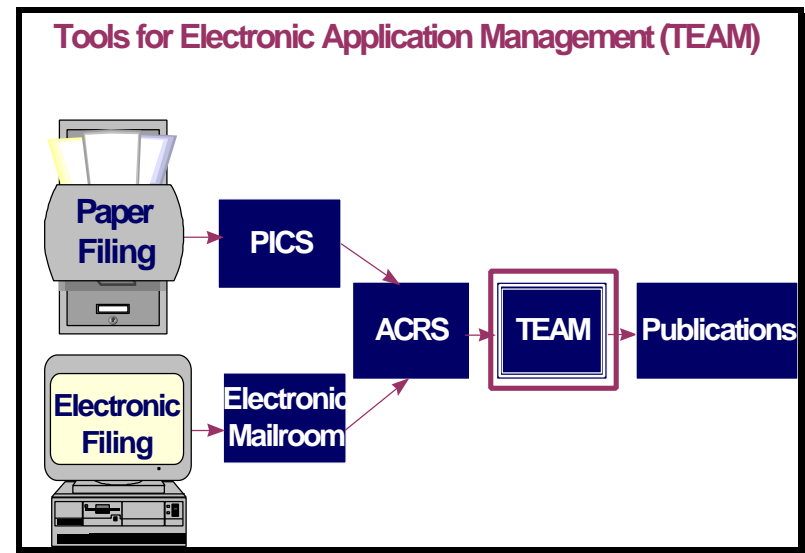
Lastly, we are requesting an increase of 10 FTE and \$718,000 for the Board of Patent Appeals and Interferences (BPAI). As a result of past personnel constraints and due to the increasing complexity of cases, the Board has accumulated a backlog of pending appeals. The Board currently has approximately 9,000 *ex parte* appeals and over 450 interferences. Our goal is to reduce pending patent appeals by more than 50 percent (below 4,000) and interferences in progress by 11 percent (below 400) by fiscal year 2003. To accomplish this goal, the Board plans to hire Administrative Patent Judges and Paralegal Specialists in fiscal year 2000. These new positions would increase the Board's capability and provide the necessary administrative support for processing the increased number of patent appeals and interferences.

Information Technology

A critical goal of our business and central to achieving our cycle time goal is to process applications and publish patents electronically in fiscal year 2003. In order to accomplish this goal, we are requesting an increase of \$7,509,000 to expand existing electronic workplace systems and conduct a series of patent reengineering prototypes that will define and refine requirements, validate assumptions, and mitigate risk. These expansions and prototypes will address both the human and technical engineering aspects of the future electronic workplace and pave the way to an electronic, paperless examination process. The projects outlined below will contribute to our goal of reducing cycle time to 12 months or less for all inventions when fully integrated into the examination process. A more detailed description and milestones relating to these projects can be found in our *Strategic Information Technology Plan*.

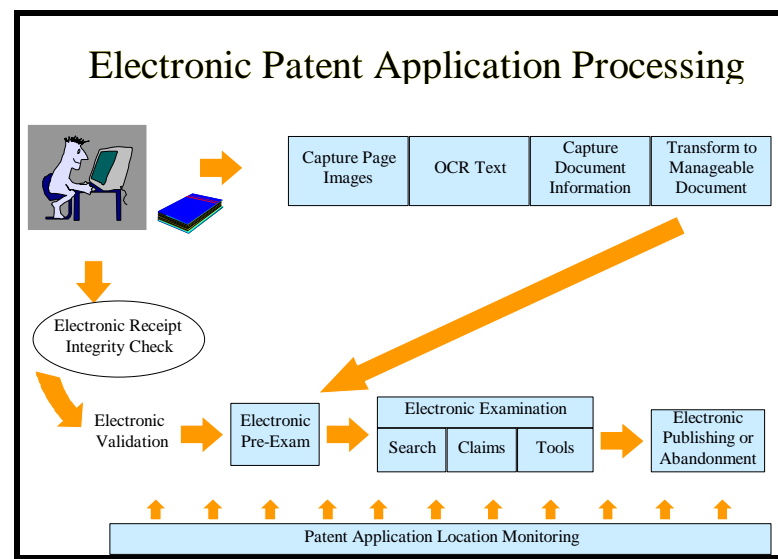
- ***Patent Image Capturing System (PICS)*** - PICS has been providing timely capture of application images and automated support of certification and licensing and review functions since February 1997. The expansion of scanning technology in fiscal year 2000 will facilitate expanded capture of application papers that will be needed to feed electronic examination, and to replace manual photocopying. The actual movement of paper applications will be reduced and the technology will be in place to support electronic file wrappers. This project directly supports our goal of receiving applications and publishing patents electronically for the first Technology Center in fiscal year 2002, and for all centers in fiscal year 2003.
- ***Application Capture and Review System (ACRS)*** - Integrated with the PICS project, ACRS will maximize the use of automated tools to accomplish the capture and review incoming patent applications. These automated tools will provide significant increases in productivity, data integrity, and efficiency. ACRS focuses on automated OCR capture of the full text of patent applications received, automated capture of bibliographic data from applicant-supplied standard data sheets with subsequent automatic loading into the Patent Application Location Monitoring (PALM) system, automated first level licensing and review screening, and automated classification for initial routing to the Technology Centers. ACRS will begin to lay the foundation for processing patent applications into intelligent documents that will support parallel on-line examination systems as well as automated publication systems. With the resources requested for fiscal year 2000, we will continue deployment of application text capture and review capability. Like PICS, this project directly supports our goal of receiving applications and publishing patents electronically for the first Technology Center in fiscal year 2002, and for all centers in fiscal year 2003.

- **Tools for Electronic Application Management (TEAM)** - In order to mitigate risk, refine the requirements, and validate the assumptions of the reengineered patent process, we are developing a series of prototypes before developing the complete automated information systems, which will fully support the electronic work place of the future. Initial prototypes have already been piloted in one Technology Center of the Patent Business. This prototype validated the capability to accept patent documents in paper form or on disk, capture and manage the necessary bibliographic data, organize the documents into electronic file wrappers, and then support all examiner processing and communication requirements. During fiscal year 1998 the TEAM project was created in order to move the prototype closer to a production system. An executable prototype for TEAM is presently under development and will be implemented during fiscal year 1999. This prototype will allow us to further refine the functionality needed in a full production environment. In fiscal year 2000, we will begin development of a production system, building on the knowledge learned from experiences and accomplishments of the earlier pilot and prototype efforts.



- **Electronic Filing System/PatentIn**

Electronic Filing System (EFS) - This project will define the requirements and procedures and develop and implement a system to create, receive, and accept filing of U.S. patent applications, PCT applications, and other related papers electronically. EFS will interface with the Electronic Mailroom, ACRS, and the Revenue Accounting Management system (RAM), TEAM, and PCT Automation/Operations Workflow and Electronic Review (POWER). An earlier prototype for electronic filing validated the concept of applicants' submitting patent applications to the PTO using Commercial-Off-The Shelf (COTS) software packages, and the concepts in the draft Implementation Guide for Electronic Filing. The concepts contained in the Guide will allow the applicant community, third party developers, and the Office to use electronic filing to exchange electronic documents. Accordingly, the Guide presents a high-level view of "how electronic filing will work" without including a large amount of technical detail. The first release of EFS will be a prototype to be used with the TEAM executable prototype. The experience and knowledge gained from supporting the TEAM prototype in fiscal year 1999 will lay the groundwork for a pilot in electronic filing. In fiscal year 2000, we will pilot electronic filing. The pilot will allow us to incorporate lessons learned toward a production system for both national and international applications. This project directly supports our *Year 2000 Commitment* of receiving applications and publishing patents electronically for the first Technology Center in fiscal year 2002, and for all Centers in fiscal year 2003.



PatentIn - A precursor to EFS, PatentIn provides an efficient and convenient means through which applicants may create a Sequence Listing to comply with U.S. and international filing requirements for biotechnology patent applications containing nucleic and amino acid sequence information. The PatentIn project, involving development of a Web browser application, as well as Windows and DOS versions, will provide value to applicants by enabling them to use the Internet to obtain up-to-date software products through the PTO Internet site and to electronically file sequence listings. The continuation of this project through fiscal year 2000 will facilitate the forward movement toward receiving applications and publishing patents electronically.

- **Global Information Network (GIN)** - As part of the PTO's Wire the World effort, we are working with our Trilateral partners (the European and Japanese Patent Offices) and with the World Intellectual Property Organization (WIPO) to develop a global network to facilitate communication among national patent offices during the examination of patent applications. A network connecting the three Offices and WIPO is expected to be operational in fiscal year 1999. The network will enable the creation of a database of search reports and examination records, which would enable examiners in one office to coordinate their work with the office of original filing prior to or during their review of an

application. The network also would serve as a vital avenue for submitting applications filed under the Patent Cooperation Treaty (PCT). A discussion of PTO's Wire the World activity is located in the Policy section.

- ***International Priority Document Exchange (IPDE)*** - Since the PTO is the single largest provider of priority documents to WIPO, streamlining the process for exchanging electronic documents will benefit both organizations. The IPDE will accomplish the delivery and receipt of priority documents with data security, since unpublished patent applications must be kept confidential. The first phase, designed to demonstrate the fundamentals of exchange of digital priority documents using transportable media, was completed in January 1998. The second phase, to be carried out in fiscal year 1999, is designed to test standards and support technology to exchange digital priority documents using transportable media and the Trilateral network. The third phase, scheduled for fiscal year 2000, improves the exchange of digital priority documents using a network.

Operational benefits that the PTO expects to receive from these automation projects include the elimination of many manual processes such as hand delivery of paper files. With automation, manual data entry is reduced and files can be retrieved quickly via electronic search to be rapidly sorted, reviewed, and routed. These files can then be shared to allow concurrent processing. Using desktop workstations, examiner searches for reference data can be performed quickly and the examiner can subsequently produce correspondence with the applicant using a suite of electronic forms. With files stored electronically, the status and location of applications can be provided to an applicant almost instantaneously, customers can establish priority in foreign filing more quickly, and formalities review and examination can be conducted more efficiently.

Aside from process improvements, projects like EFS and TEAM will increase the quality of the examination process. EFS will assist the applicant by screening the application for some legal formalities. TEAM will allow examiners to use word-processing functions to work with specifications which may number over one hundred pages, with some up to 1,000 pages long. This capability will allow the examiner to more easily search the specifications for terms and concepts that support the claimed invention, thus helping to maintain the clarity of the issues at hand. This capability will likewise enhance the ability of the examiner to search for and block any new matter contained in subsequent amendments to the application, which is not permissible.

Complementing the electronic processing of applications will be the Office Action Correspondence Subsystem (OACS). OACS will allow users to generate PCT and US forms electronically with all of the necessary bibliographic data already loaded. Automatic form generation will strengthen the consistency of office communications with the public, while the automated insertion of PALM data will minimize the mistakes inherent in re-keying data by hand.

Finally, funds are requested to provide new employees with access to our office automation capability. This access is ensured by the Chief Information Officer's organization through the acquisition of office automation software licenses; the preparation and installation of the workstation; and installation and connection to our network (PTONet) and our office automation servers. Requested resources would also fund the required technical support services (desktop workstation maintenance, help desk and software support, troubleshooting, etc.), as well as maintenance of the software licenses, network components, and office automation servers.

Quality and Customer Satisfaction

We recognize that enhancing the quality of the examination process has a major impact on customer satisfaction and continue to give the highest priority to customer needs by improving the quality of our products and services. Our objectives include continuously assessing our customer's quality expectations and utilizing customer feedback as an indicator of success, facilitating communication and sharing of information among all of our employees, fostering teamwork and cooperation throughout the Patent Business, and attracting, training, and retaining highly qualified employees. In order to further our efforts to increase quality service and customer satisfaction, we request \$4,524,000 for the searching activities discussed below.

Searching

A crucial portion of the examination process is the search by an examiner for prior art pertinent to the invention claimed in an application. The "search" is an investigation of relevant patents and non-patent literature (technical journals, manuals, etc.) to determine if a claimed invention is new, useful, and non-obvious. In performing the search, an examiner relies on "prior art," the body of public knowledge (which includes patents, non-patent literature, and common practice) known at the time the invention was created. Several planned activities focus in whole or in part on this vital phase of the examination process.

With each new application an examiner must conduct a search of the relevant patent and non-patent literature (NPL). Because much of the NPL is available through commercial database vendors, increasing workloads have a direct impact on the volume of commercial database usage. As we move toward an all-electronic processing environment, we will begin to migrate from paper search files to increasing reliance on automated data collections (this is planned whether or not the PTO consolidates its facilities beginning in the year 2001).

A major enhancement of our non-patent literature collection will be provided by acquisition of the UMI ProQuest Direct® service. Our patent examiners will have at their desktops direct Internet access to nearly 5,000 different periodical publications (currently available in paper and sometimes difficult to obtain) with extensive backfiles at their desktop. The benefits of this endeavor are: providing examiners easier access to a comprehensive range of non-patent literature; making search resources available in electronic format; and ultimately reducing print and CD-ROM subscriptions.

The Information Technology Resource Provider (ITRP) program is an activity that is also designed to improve the quality of the search process. This program uses contractors to provide on-site specialized assistance and one-on-one coaching to examiners in the use of information technology in general, and commercial databases in particular, so as to provide for improved searching of available prior art.

Customer Satisfaction

The Patent Business is obtaining customer and operational information from a variety of external and internal measurement initiatives. External initiatives include surveys, focus sessions, roundtable discussions and town hall meetings. We obtained extensive and valuable customer input from the 1998 customer satisfaction survey that was mailed to over 6,000 patent customers. While this survey showed that overall satisfaction with our performance remained essentially unchanged at 52 percent as compared to 50 percent in 1996, it also showed that the Patent Business performance improved in 25 of 33 operational areas. Areas of greatest improvement included the application procedures, examination quality, and courteous service. Areas that need improvement include problem resolution and meeting time standards for filing receipts and status inquiries. We recognize these weaknesses and have already begun to address them. Whereas at the beginning of 1998 filing receipts were mailed to customers in an average of 139 days, by the end of the fiscal year we reduced the backlog of patent applications in the pre-examination area and mailed receipts in 29 days. We also will continue to emphasize the importance of returning customer telephone calls within one business day. Other activities we are pursuing include giving specialized Customer Service Training to all Patent Business employees, establishing a customer service function in each major operation center, and instituting a Customer Service Recognition program.

Internal measures include In-Process Reviews (see below) of all office actions by Patent Quality Assurance Specialists in the Technology Centers to determine the appropriateness of the office action and search, and a telephone measurement program to gauge progress on properly directing a caller to the right person's office, as well as returning phone calls in one business day. The information from both external and internal surveys will be captured in a quality database to be used to determine root causes and for development of new processes, tools and training modules to improve performance.

In fiscal year 2000, our goal is to improve customer satisfaction levels to 75 percent in four standards: directing the customer promptly to the proper office or person (1996 – 51 percent, 1998 - 61 percent); return customer telephone calls within one business day or provide another contact (1996 - 55 percent, 1998 - 57 percent); set forth clearly in written communications, the technical, procedural and legal positions of examiners (1996 - 50 percent, 1998 - 65 percent); and conduct a thorough search of all information (1996 - 56 percent, 1998 - 67 percent). We believe that increasing these key drivers of customer satisfaction to 75 percent will allow us to meet our target of 70 percent overall customer satisfaction in 2000.

Employee Satisfaction

Employee ownership and accountability for the benefit of the customer characterize the Patent Business environment of the future. Thus, enhancing human resources is one of the four corporate foundation strategies the Patent Business has adopted to meet the goal of providing patent customers with the highest level of quality and service. The Patent Business views the skills, knowledge, and abilities of employees as the most valuable resource. By providing opportunities for employees to expand their professional competencies and experience personal growth and development in their careers, we will develop a diverse and expert staff who genuinely are interested in, and capable of, supporting and helping our customers get patents. As employee satisfaction increases, PTO expects customer satisfaction to increase proportionately.

The fundamental purpose behind our human resource management practices is to help build organizational capabilities to support our business goals and objectives by aligning organizational values, business strategies, and core competencies. Our proposed approach to human resources management includes comprehensive training and special skill-enhancement programs.

Training

A major component of our emphasis on quality is reflected in the training of examiners. The Patent Business recognizes that training examiners is a critical component for achieving a high-performing workforce. Each new examiner receives close to 200 hours of formal classroom instruction during the first year as well as extensive one-on-one training while on the job, and all examiners have access to the extensive courses offered by our Patent Academy, Office of Human Resources, and Office of Civil Rights.

The job of a patent examiner requires complex technical knowledge, legal understanding and decision making skills. Therefore, technical training opportunities for examiners include the Examiner Education Program (wherein examiners travel to various research and development sites so as to keep abreast of current technological advances) and in-house and offsite graduate courses during non-duty time. During duty hours we provide for lectures given on-site by either PTO employees or outside experts, and off-site seminars and conferences in job-related areas of technology.

Legal training includes a series of training modules in practice and procedure for first year examiners. Other legal training for examiners includes lectures on current intellectual property topics of interest to all examiners, as well as PCT training. Courses such as Patent Law, Evidence and Legal Method are given on-site during duty hours, as is training designed to keep examiners abreast of new rule changes and policies which affect the examination process.

In the expanding information age, the job also requires skills in automation tools in order to access information databases and to communicate with our customers. We provide extensive automation training in various in-house and outside search systems as well as in several custom applications and specialized word processing packages. These are in addition to the training that is offered for the standard suite of office productivity tools such as e-mail and word processing.

Working in partnership with representatives of the examiners' bargaining unit, we have reached agreement on implementing a non-duty hours Legal Studies Program as well as a non-duty hours Technical Training program, both available through accredited outside institutions. This training will continue to build and maintain the needed competencies for the patent examiner job and will provide the agency with a skilled examining workforce capable of handling an increasingly growing and complex workload.

Quality Review

Integral to our quality efforts is the creation of an In-Process Review function. As referenced above, customer surveys have indicated that providing clearly written communications and conducting thorough searches of prior art are elements of paramount significance to satisfaction. In order to uncover and correct deficiencies while the application is still in the examination pipeline, we will have Quality Assurance Specialists within each Technology Center. These specialists will have the responsibility for reviewing a sample of office actions and address issues of concern raised by customers and supervisory examiners. The Office of Patent Quality Review (OPQR) will statistically validate these reviews.

The Department of Commerce Inspector General's Semiannual Report to the Congress, dated September 30, 1997, included recommendations for improving the sampling and effectiveness of our quality review process. In response, the OPQR has completed an analysis to determine a sample size that is statistically valid and has taken actions to augment the OPQR staff to enable maintaining a satisfactory sample size. Another recommendation was to expand the patent quality review process to include the review of first actions and other work products that may be meaningful to patent managers. As noted above, we have expanded the quality review process to include an in-process review. As a result, the review of the patent examination work products will expand beyond simply reviewing allowed cases to all actions and issues raised during the patent examination process.

With the implementation of the above activities, the overall index of customer satisfaction is targeted to improve from a 50 percent baseline to 70 percent in 2000, which is equivalent to a 40 percent improvement in the customer satisfaction measure.

Fiscal Year 2000 Performance Goals and Targets

Our fiscal year 2000 request is designed to enable us to achieve the PTO goals and objectives included in the Department's Strategic Plan. The longer-term performance results of our business will provide our customers with the highest level of quality and services. The performance indicators delineated in Table 4 will measure the success of our business in fiscal year 2000. This table is based upon information drawn from internal automated workload tracking systems, customer and employee surveys, the ongoing cost accounting effort, and internal projections.

Table 4

Performance Targets				
Performance Goal: Grant exclusive rights, for limited times, to inventors for their discoveries	Baseline¹⁰	FY 1998 Performance	FY 1999 Target	FY2000 Target
Effectiveness Measure: Number of inventions filed ¹¹ (Number of UPR applications filed)	158,427 (191,116)	201,777 (240,090)	218,000 (259,000)	233,000 (277,000)
Customer Satisfaction Measure: Overall percent customer satisfaction	50	52	65	70
Employee Satisfaction Measure: Overall percent of employee satisfaction	41	N/A ¹²	*	75
Productivity Measure: Number of weighted applications disposed (per examiner FTE)	87.2	89.4	89.4	91.6
Efficiency Measure: Workload cost indicator ¹³	\$2,500.00	\$2,379.44	\$2,496.03	\$2,646.99
Quantity Measures: Number of applications (UPR) disposed per year (includes SIRs) Number of patents (UPR) issued per year ¹⁴	180,196 105,529	203,227 140,574	221,000 183,000	234,000 155,000
Quality of Output Measures: Average cycle time of inventions processed (months) Percent of inventions achieving 12 month or less cycle time	14.6 47	16.9 32	10.9 75	10.2 80

* Survey is conducted every two years.

¹⁰ Baseline measures are derived from fiscal year 1996 actual performance results except for the workload cost indicator estimates, which are based on preliminary activity – based cost accounting models of fiscal year 1997 actual cost accounting data.

¹¹ Inventions exclude Rule 60 and 62 continuations and requests for continuing prosecution under Rule 129.

¹² Survey conducted in October 1998. The Office of Personnel Management is currently analyzing the data, and results are expected to be available in March 1999.

¹³ The workload cost indicator measures each business area's composite productivity rate, which is the ratio of costs per composite output unit of goods or services provided. This ratio is derived by using total business area costs as the numerator and the actual composite workload number, weighted total of key outputs, as the denominator.

¹⁴ Total patents issued for 1999 contain approximately 35,000 extra issues due to a backlog reduction effort in the Office of Publications.

Table 5

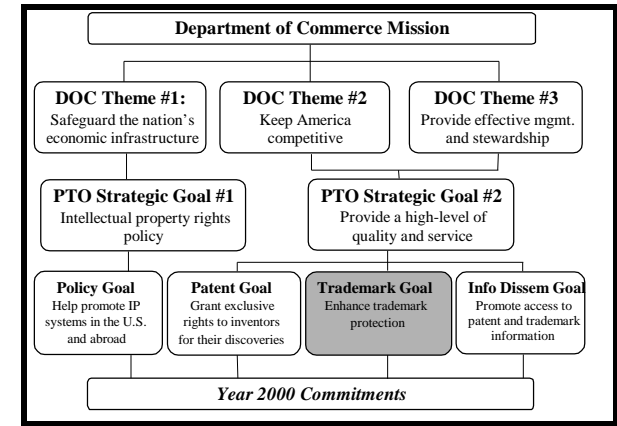
Key Objectives
1998 through 2000

<i>1998 Accomplishments</i>	<i>1999</i>	<i>2000</i>
<ul style="list-style-type: none"> • Hired and trained the largest number of patent examiners in PTO history. • Established the Working Laboratory to test reengineered processes. • Created Technology Centers and began implementing business plans. • Conducted customer surveys and achieved a 52 percent satisfaction level. • Enhanced staffing in the Office of Patent Quality Review in accordance with the Inspector General's report. 	<ul style="list-style-type: none"> • Hire patent examiners to keep pace with rising workloads and attain the goal of 12 month cycle time for 75 percent of inventions. • Increase production by piloting and evaluating alternative compensation systems. • Implement reengineered process improvements identified in Working Lab • Increase production by transitioning examiners out of PCT, Petitions, and PAC activities. • Conduct customer surveys and achieve a 65 percent satisfaction level. 	<ul style="list-style-type: none"> • Increase patent examiner staff to keep pace with increasing workloads and in order to meet goal of reaching 12-month cycle time for 100 percent of inventions in 2003. • Implement alternative compensation package (e.g., paybanding), depending on the outcome of an evaluation of the pilot. • Increase production by completing the transition of examiners out of PCT, Petitions, and PAC activities. • Reduce the backlogs at the Board of Patent Appeals and Interferences. • Achieve 75 percent customer satisfaction in four standards, thereby achieving an overall 70 percent customer satisfaction level.

<i>1998 Accomplishments</i>	<i>1999</i>	<i>2000</i>
<ul style="list-style-type: none"> • PICS and ACRS - Continued incremental development of electronic application processing with deployment of PICS version 2 and ACRS version 1. • GIN - Completed detailed plan and submitted to EPO, JPO, PTO and WIPO. • IPDE - Demonstrated the fundamentals of exchange of digital priority documents using transportable media. 	<ul style="list-style-type: none"> • PICS - Expand image scanning of patent applications to support REPS, POWER and TEAM. • TEAM - Develop electronic filing and examination prototype. • EFS – Pilot receipt of biotechnology gene sequences over the Internet. • ACRS – Expand system capability to include automated initial classification and security review. • PCT - Automate PCT Receiving Office operations (Phase 1). • PCT - Provide electronic access to PCT Search Reports and reference documents. • PPP – Begin developing a prototype for electronic photocomposition and publication. • GIN - Begin deploying the network connecting the EPO, JPO, PTO and WIPO. • IPDE -Test exchange priority documents electronically with Trilateral Partners and WIPO. 	<ul style="list-style-type: none"> • PICS/ACRS– Expand system capability to pilot capture of additional applications. • TEAM - Begin development of an integrated system by building upon previous prototypes. • EFS - Pilot electronic filing • PCT - Begin electronic receipt and processing of PCT applications (Phase 2). • PPP - Prototype electronic photocomposition and publication. • GIN - Continue deploying the network connecting the EPO, JPO, PTO and WIPO. • IPDE - Continue exchanging priority documents with Trilateral Partners and WIPO.

Trademark Business

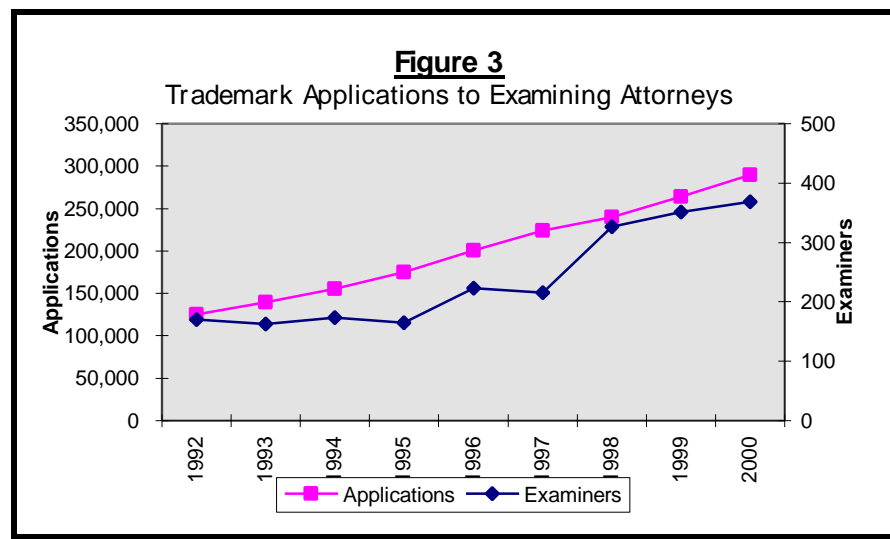
The Trademark Business is one of the PTO's three core businesses. Our primary mission is to apply the provisions of the Trademark Act of 1946 in the examination and registration of trademarks. Federal registration of a trademark on the principal register is prima facie evidence of the validity of the registration, ownership of the mark by the registrant, and the registrant's exclusive right to use the registered mark in commerce in connection with the goods or services listed in the registration. Although Federal registration is not required in order to use a mark in the United States, Federal registration of a mark permits enforcement of intellectual property rights in Federal courts for claims involving infringement, unfair competition, and counterfeiting, and also provides a basis for obtaining protection for the mark in other countries, under various treaties. This valuable intellectual property right provides protection for the owner's business investment in goods and services sold under the registered mark. Thus, our business directly supports the Department's strategic goal to provide effective management and stewardship of our nation's resources and assets to ensure sustainable opportunities.



The core process of our business is the examination of an application for a mark. In the course of examining an application, a Trademark attorney makes a determination on the registrability of a trademark, prepares actions on objectionable applications, approves a mark for publication in the *Official Gazette*, and in Intent-to-Use (ITU) cases approves the applicant's Statement of Use for registration following a second examination. Based on the Trademark attorney's decision, the PTO issues notices of allowance and certificates of registration.

The Trademark Business Environment

The growth in trademark applications continues to increase although at a slower rate than in past years. The annual growth rate since fiscal year 1992 has averaged 11 percent. However, filings increased less than four percent between 1997 and 1998. We project a return to growth rates of ten percent in 1999 and 2000, reflecting our expectations for continued strong economic growth. Slower growth in fiscal year 1998 allowed us to increase staffing levels commensurate with the growth in application filings for the first time this decade. While application filings increased at an average rate of 11 percent per year from fiscal year 1992 to fiscal year 1998, the increase in staff over the same period averaged only seven percent (Figure 3 depicts the lagging growth in trademark examining attorneys vis-à-vis the growth in trademark application filings). As a result of this imbalance between workload and resources and other contributing factors discussed below, the inventory of unexamined work rose to more than seven months equivalent, causing first action pendency to rise to 7.2 months and pendency to registration or abandonment to 17.8 months at the end of fiscal year 1998. Actual filings and performance results achieved in the past five years are summarized in Table 6, as are our goals for improvements in 1999 and 2000.



Trademark pendency to first action will continue to increase until March 1999 when sufficient numbers of recently hired examining attorneys will begin to produce at their full performance level. Our target is to reduce pendency to first action to 3.9 months in fiscal year 1999; however, our full production capability will not be realized until August 1999, or approximately six months after the last group of examining attorneys are hired. Currently, our production model optimistically indicates that pendency to first action will be 5.5 to 6.0 months for fiscal year 1999. However, we will continue to move toward our target of 3.9 months by hiring and training approximately 130 trademark examining attorneys by the second quarter of fiscal year 1999 to reach and maintain our planned staffing level of 375 for the year. We are also in the last stages of acquiring and renovating office space which is allowing an expansion of service operations and an increase in the number of Law Offices from nine to fifteen by January 1999. The additional space is allowing us to increase our total staffing by 50 percent consistent with our fiscal year 1998 and 1999 approved budgets. Hiring originally was delayed because space was not available to accommodate our authorized staffing levels for 1998 (causing us to be behind in our plans to reduce pendency). Further, we have launched a number of management initiatives that will have a direct bearing on our ability to meet the three month first action goal. For example, attention is being directed towards improved workflow and file management activities that will avoid delays and rework.

The greatest potential for performance improvement will come from Trademark reengineering. Reducing or eliminating the number of processing activities in the current production process will reduce pendency time. Separate, task-oriented processing activities currently in use are the result of a complex manual process that is dependent on matching papers to files and updating a data base for all pending and registered files. The opportunity for processing delays and misplacing papers and/or files increases with the rise in pending cases and insufficient staffing. Achieving the reengineering goal of electronic filing will allow the implementation of a file management process that will facilitate quality and cycle time improvements. With the projected and real constraints placed on the examination process, reengineering offers the best long-term solution to manage the expected increases in workload. Work is in progress to define the project requirements, process changes, resources, milestone dates and implementation schedules. Additional time will be allotted for staff participation in the development of specific requirements as each project progresses.

Four projects that support reengineering and that have the most opportunity to improve the production process and ultimately reduce pendency by saving process time in the near future must be completed before we can proceed to full electronic file management. Progress has been made towards all of the projects that are included in the *Strategic Information Technology Plan* under TRAM Replacement. Because of the potential for improving the process, a high priority is assigned for the following projects in the 1998 - 2000 time frame.

1. The development of in-house camera-ready (text and image) *Trademark Official Gazette* (TMOG) and printing of registration certificates. The transfer of TMOG materials electronically to the Government Printing Office (GPO) will significantly impact the process, which now requires weekly pulling of drawing pages from files for creation of camera-ready copies to produce the TMOG and registration certificates. The process will allow for printing certificates inside the Office, to satisfy customer requests or to produce certified copies. The ability to produce registration certificates on demand will benefit a number of Office functions and directly support efforts to improve customer service by eliminating delays in processing requests that previously had to be submitted to GPO. This project has demonstrated the capability to produce an entire TMOG record with text and images. The project is essentially complete. However, implementation has been delayed pending introduction of "windows-based" software that can be accepted by the GPO. Implementation offers the potential for printing all trademark registration certificates in-house and reducing the number of weeks needed to complete the registration cycle.
2. PC-based data entry/text editing, including bar code capabilities to update TRAM from a PC. The implementation of PC TRAM for status queries was the first stage in expanding access to TRAM data that had been limited to dedicated terminals. Data entry from newly filed applications and data capture by "tagging" key elements are now entered from a PC. Text editing, or updating original data will be performed from a PC for all but a few security transactions, permitting additional edits and improvements in data capture. The final stage in allowing all TRAM transactions to be made from a PC will be completed once PC BCR for all TRAM transactions are implemented in late 1999 with the replacement of TRAM. The replacement schedule for TRAM is under review to address requirements of the Trademark Law Treaty, which must be implemented by October 1999. The limited number of dedicated TRAM terminals physically constrains the movement of files and the opportunities for increasing the number of employees who have access. The system limitations and bottlenecks caused by the limited number of

terminals will be addressed by the expanded access to allow all TRAM transactions from PC terminals. PC-based TRAM is consistent with the office goal of providing all electronic tools on the desktop.

3. Scanning paper to capture data and images through Optical Character Recognition (OCR) technology, known as the Trademark Image Capture and Retrieval System (TICRS). The initial focus has been on developing the technology and the process to utilize OCR and successfully *retrieve* scanned documents. The process began with the scanning of a large number of unmatched drawings from files in a post-publication status to pilot the requirements for indexing and retrieving documents. The process has expanded to scanning complete new application papers to test the quality of data and the process for preparing, scanning, reviewing, and indexing papers. A number of process issues must be addressed before scanning can replace data entry for most documents. Because we do not require standardized forms and our process is still based on a paper file, scanning imposes additional tasks that have contributed to delays in the processing of all applications. The process and the technology require additional improvements, which ultimately will improve the quality of data in trademark systems. Approximately 50 percent of all applications are now scanned.
4. Front-end scanning of incoming documents (drawings first, then applications and other materials). The process would offer record management capability by scanning documents and offering distributed printing capabilities, with the goal of eliminating paper. Scanned drawings will be used to establish processes and pilot the concept of the Trademark Information System (TIS), which is planned to accept and maintain electronic file records. Standard application filing forms are available on the PTO web site for applicants to complete and mail. PrinTEAS, a preliminary version of the Trademark Electronic Application System (TEAS), offers on-line help and validation checks to ensure requirements are addressed before the application is printed and mailed. Additional forms are under development to encourage the use of standard forms. The use of standard forms will improve the process for capturing data, and allow us to make greater use of OCR technology by accepting applications in paper form or electronically through TEAS over the Internet. From October 1, 1998 through December 31, 1998, when TEAS applications were first accepted over the Internet, 2,834 applications or more than five percent of our filings have been received electronically.

Completion of these projects will allow full implementation of the Target Design, which has a goal of allowing applicants to conduct all business with us electronically.

New Legislation

The Trademark Law Treaty Implementation Act was signed by the President on October 30, 1998. The PTO has one year from that date to prepare for implementation of the Trademark Law Treaty (TLT) by revising the rules, procedures, workflow processes and systems necessary to comply with its requirements. The Treaty simplifies and harmonizes the requirements for filing applications and maintaining trademark registrations, which benefit U.S., trademark owners by requiring that member countries dispense with most legalization requirements and limits the list of filing and registration requirements. It also requires member countries to accept multi-class applications and service mark registrations. However, the Treaty actually increases the requirements for post registration filings.

The Trademark business will ensure the policies, procedures and systems that address the provisions of the Treaty are in place within the year. Resources will be redirected to support the development of the information technology requirements and documentation of changes for Trademark search and data base systems. However, implementation of the provisions could require additional staffing in the future to address process and production changes that will be required under the treaty. For example, TLT forms and some drawings as submitted will require additional preparation work to convert to acceptable formats (drawings with multiple depictions, text and images on the same page) but meet minimum requirements. The examination corps will need to devote additional time addressing the changes in requirements once TLT is implemented because there will be fewer minimum filing requirements, and the number of requirements that must be addressed during examination of the application are likely to increase. Disposal pendency may increase as the number of actions an examiner must take increases, and because of a change in standards, more abandoned applications are likely to be revived and returned to examination. Increased activity also is expected to be seen in the Post-Registration operation.

The Trademark Business Case

The prime indicator of the steadfast importance of trademarks for the commercialization of U.S. products and services is the growing number of trademark application filings. (These workload indicators are presented in [Table 6](#).) Registered U.S. trademarks identify a specific source of goods or services and, as such, they can be among the most valuable assets owned by a business. This identifying mark of a product or service also helps consumers to choose between one product and another, and to expect a consistent level of product quality characteristic of the mark. Thus, trademarks have financial and practical value for both the trademark owner and the consumer.¹ Therefore, the ability of our business to handle the growing number of application filings has become increasingly important. The business case supporting the fiscal year 2000 budget request focuses on acquiring and maintaining the level of staffing and resources necessary to process filings for 282,000 classes, restore and maintain first action pendency at 3.0 months, begin to restore overall pendency to the 13-month goal, meet customer service standards and performance targets, and address long term operational capability by exploring process enhancement opportunities through information technology and process reengineering. We are focusing on reducing first action pendency in fiscal year 1999 because of its expressed importance for our customers. A timely first action allows applicants to make early marketing decisions regarding products and services they plan to sell under the mark, thus allowing them a business advantage over competitors. In fiscal year 2000, we will regain our goal for first action pendency and focus on regaining the 13-month pendency time to registration or abandonment.

¹ The Trademark Business maintains a register of more than 900,000 trademarks providing businesses and consumers notice of marks that are in active use.

Table 6

Key Workload Indicators								
	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Application Received - classes	139,735	155,376	175,307	200,640	224,355	232,384	256,000	282,000
Percentage Increase of Applications Received		11	13	14	12	4	10	10
Statements of Use Filed	25,837	22,057	19,869	25,388	31,784	37,060	42,900	48,500
Registration Issued - certificates	74,349	59,797	65,662	78,674	97,294	89,634	112,300	114,200
Registration Issued - classes	86,122	68,853	75,372	91,339	112,509	106,279	138,600	141,000
First Action Pendency - months	4.0	5.2	5.3	5.9	6.4	7.2	3.9	3.0
Registration/Disposal Pendency - months	14.4	16.3	16.7	16.5	16.9	17.8	15.5	13.8

Year 2000 Commitments

All Trademark Business activities planned for fiscal year 2000 support one or more of our *Year 2000 Commitments* to Vice President Gore:

- Reduce trademark processing time to 3 months to first action and maintain it at 3 months thereafter.
- Offer electronic filing capabilities to our customers.
- Enable customers to use the Internet.

Our macro performance goal is to enhance trademark protection. This goal focuses on the ultimate outcome or benefit of a registered trademark for the owner and, therefore, serves as the principal driver of the manner in which we set our operational priorities, allocate resources and conduct business. Resources are directed to those activities or new initiatives that would have the greatest impact on the quality, efficiency and effectiveness of the examination process. Performance is measured by the number of applications filed; the number of trademark disposals per FTE; the unit cost of trademarks disposed; actual pendency; the percentage of files that achieve the Office's pendency goals; the level of customer satisfaction; and the level of employee satisfaction. In direct support of our mission and macro performance goal, we have established the following objectives:

- Maximize the business potential of trademarks for customers.
- Enhance electronic communication with customers and electronic processing among employees by transforming trademark processing into a fully electronic operation in 2002.

- Enhance electronic processing among employees while creating a balance between work and personal lives of employees by implementing trademark work-at-home.

Similarly, we have delineated the following business goal that will have a direct impact on performance results.

- ◆ Reduce trademark application processing time by implementing process changes and leveraging information technology to accomplish the following in fiscal year 2002 or sooner:
 - Reduce the time to mail filing notices to 14 days.
 - Examine new applications and provide a written communication regarding registrability within three months of the filing date.
 - Determine the registrability of trademarks within 13 months of receipt of the application.
 - Issue Notices of Abandonment within 45 days of the date the file is abandoned.
 - Mail Certificates of Registration within seven days of registration.
 - Centralize the "change of address" function.

We will achieve these improvements by focusing on the process, the customer, and the employees, as highlighted below and described under the activities planned for fiscal year 2000:

Process - Implement the reengineered trademark process design and leverage information technology to automate the process in increments that deliver the highest return on investment.

Training - Train all trademark employees in all aspects of the trademark process. Create an environment where employees understand the correct course of action to take and thereby improve the methods by which they process requests or respond to customer inquiries. Training programs have been revised or are under development to provide instruction for new hires and to create an educated workforce. The formal training program for new examining attorneys was revised beginning with the attorneys hired in 1998. The ten-week program focuses on an analytical approach to examination with topics organized into fifteen modules to improve consistency and prepare examiners to make consistent independent decisions. A formal training program for incumbent and new technical support staff is being developed with an approach that is similar to the program for examining attorneys. Formal training for new managers and supervisors will be developed to focus on understanding and improving core business functions and customer service.

Education - Provide access to trademark information and trade-related publications to increase employee knowledge and understanding of the process, including the different uses of trademarks in domestic and international markets. Create informed and responsive employees by increasing awareness of the possible impact of the external environment on trademark operations and the role our business plays in accomplishing the PTO mission.

Improve Communication with Applicants - Provide clearly written answers to questions most frequently asked by customers; resolve customer inquiries through a single contact; provide timely written communications; reduce the number of calls related to process problems; ensure that all materials submitted to the Office are promptly and properly matched with the application or registration; and reduce or eliminate the number of petitions and letters of protest.

“Adopt a Customer” - Enhance customer relations by understanding how satisfied or dissatisfied our customers are with the level and quality of service we offer. Trademark managers and petition attorneys, by virtue of their role of managing people, programs, and policy, will participate in the program. The goal of the program is to gather information to understand, from our customers’ points of view, how satisfied or dissatisfied they are with our present level of service and how we can respond in a more appropriate manner to ensure satisfaction. Information gathered from the program will be used to evaluate and perhaps change our internal quantitative measures to allow us to better respond to the customers’ needs.

Statutory - Analyze the nature of office actions and seek to revise the rules or statutes to increase the number of applications completed accurately at time of filing, thereby increasing the percentage of applications that qualify for first action publication for opposition.

Harmonization - Assist the PTO Policy specialists in pursuing international harmonization of trademark laws.

Table 7

Operational Budget
(Dollar amounts in thousands)

	FY 1998 Actual		FY 1999 Currently Available		FY 2000 Request	
	FTE	Dollars	FTE	Dollars	FTE	Dollars
Trademark Process	535	\$58,847	843	\$66,834	942	74,054
Information Technology²	46	\$15,679	36	\$20,956	51	23,395
Development		3,260		2,915		8,048
IT Infrastructure		12,419		18,041		15,347
Resource Management	44	\$10,086	44	\$11,626	54	11,863
Trademark Total	625	\$84,612	923	\$99,416	1,047	\$109,312

Production

For fiscal year 2000, we propose a budget of 1,047 FTE and \$109,312,000. This represents an increase of 124 FTE and \$9,896,000 over the fiscal year 1999 operating budget or an increase of 19 FTE and \$10,299,000 over base³. Cost estimates also include our share of resource management and information technology infrastructure, distributed in accordance with our activity-based cost accounting model. In fiscal year 2000, 15 FTE and \$4,222,000 is requested for Trademark examination. The corresponding increase in trademark applications represents a ten percent increase over fiscal year 1999 estimates, or a projected fiscal year 2000 workload of 282,000 applications. Within our overall goal of reducing trademark application processing time, resources available to us in fiscal year 1999 and fiscal year 2000 will be directed to improving the quality of output measured in actual pendency. To the extent we are able to hire the planned number of employees in fiscal years 1999 and 2000, the amount of overtime usage would be reduced significantly. If there are any obstacles or delays in bringing new staff on board, the amount of overtime would need to continue closer to current levels.

² Cost estimates for IT Development are direct. IT infrastructure cost estimates are burdened and distributed in accordance with our activity-based cost accounting model.

³ Costs associated with the 105 FTE base adjustment have been absorbed within the base. See Exhibit 8 on page 95 for additional detail on full costs in fiscal year 2000.

We also plan to implement an alternative compensation system in the Trademarks Business beginning in 2000. This new compensation system (broad pay banding) will provide management greater flexibility in managing human resources to support the establishment of a stronger pay-for-performance system and to simplify classification of professional jobs. It is designed as a compensation tool for attracting and retaining highly qualified individuals who would effectively contribute to the accomplishment of our goals. Details on how we will study and implement alternative compensation systems at the PTO are included in the Corporate Support section.

As we hire additional trademark examining attorneys and technical support staff, and exercise alternative accommodation options, such as work-at-home options for employees pendency will be at or near goal. With the resources requested, pendency to first action will be reduced to 3.0 months and pendency to registration or abandonment will be reduced to 15.5 months in fiscal year 2000. At the operational level, we will be able to adequately address the growth in trademark applications in examination as well as pre- and post-examination functions. However, the need to implement the Trademark Law Treaty by the beginning of fiscal year 2000 could impact our program plans in fiscal year 1999 because resources will be redirected to implementing the provisions of the treaty.

Beyond fiscal year 2000, requests for increases in personnel will be incrementally reduced relative to filings as the benefits of reengineering and automation begin to be realized. As a result, our operations will become more effective and efficient thereby improving performance and customer service. Examples of manual tasks that will be eliminated include: mail processing, sorting, and matching; manually moving files through the examination and registration process; and retrieving paper files from the warehouse. Initial process changes started in fiscal year 1998, and full implementation of the reengineered process design is planned for completion in fiscal year 2002. In addition to resource savings realized from reduced cycle time, reengineering will yield intangible benefits such as improved levels of customer and employee satisfaction. With the aggregate effect of constraints already placed on the examination process, reengineering offers the best solution for effectively managing the projected increases in trademark application filings.

The Trademark reengineered process design assumes electronic filing; electronic data exchange among applicants, registrants, and the PTO; and electronic file wrappers with a fully integrated electronic file management system to be implemented shortly after the turn of the 21st century. Given the required resources, the most significant result expected after full implementation of the reengineered process design would be a further reduction in first action pendency -- the processing time from receipt of a trademark application to first action -- from our immediate goal of achieving three months in fiscal year 2000 to our future goal of reducing first action pendency to one month early in the 21st century. Reductions in pendency will be the result of process improvements that will reduce or eliminate the separate manual tasks or activities and process queues that naturally occur in a paper process. The one-month to first action pendency goal will be realized when a majority of applicants make use of electronic filing and staffing levels are adequate to process and examine the level of filings received.

We are requesting an increase of 4 FTE and \$1,480,000 in fiscal year 2000 for the Trademark Trial and Appeal Board (TTAB). The Board hears and decides adversary proceedings involving: oppositions to the registration of trademarks; petitions to cancel trademark registrations; proceedings involving applications for concurrent use registration of trademarks; and appeals of a trademark examining attorney's decision not to allow

registration. Cases decided by the Board and the pendency of those cases are included in trademark pendency measures. This increase is necessary in order to meet increasing workloads at the Board. It is estimated that the TTAB will receive 14,500 new cases in fiscal year 2000, an increase of 74 percent over 8,014 cases received in fiscal year 1998. As TTAB workloads expand at a rapid rate due to increased production in trademark examination, cases disposed must increase at a greater rate in order to reduce the inventory of pending cases and contribute to the overall pendency goal of the Trademark Business. These resources will provide additional professional staff necessary to handle growing workloads.

Information Technology

Many of our reengineering changes support President Clinton's Framework for Global Electronic Commerce. Among these activities are electronic filing; providing the status of trademark applications over the Internet; and providing access to trademark databases over the Internet. A continued investment in information technology will support the objectives of our business. For fiscal year 2000, we request \$5,258,250 for continued development of trademark automated systems. We expect a significant performance improvement from our investment in automated systems projects, which were planned under reengineering. For example, with the implementation of full electronic processing of trademark applications and examination workflow, the number of days it takes to mail a customer a filing receipt is expected to decrease from the current goal of 14 days to 2 business days after the filing date. Thus, based on anticipated outcomes, we have placed high priority on making improvements to the following systems:

- **Trademark Electronic Application Submission (TEAS)** - The TEAS project provides for the implementation of an electronic communication capability with trademark customers using the Internet. The completed system is intended to support the submission of all Trademark forms electronically. The electronic receipt and transmission of data will reduce the labor intensive processing of paper documents and is a key ingredient to the eventual automated electronic workflow of the Trademark process. With this solution in place, it is expected that data accuracy will increase, pendency will go down, and the number of lost cases will be reduced. In addition, customers will have increased access and communication capability during the prosecution of their cases. We conducted pilot testing of electronic filing with selected customers in fiscal year 1998. On October 1, 1998, we began accepting applications electronically over the Internet for all that wish to file electronically.
- **Trademark Information System (TIS)** - This project will be integrated with reengineered work processes. The redesigned TRAM system will serve as the foundation from which to develop TIS. We plan to initiate development of TIS in early fiscal year 2000 and incrementally deploy capability through fiscal year 2002. TIS will accept electronically filed trademark applications, maintain an electronic file for application and registration, record prosecution history and production information, improve search capabilities, photo-compose the Trademark *Official Gazette* and registration certificates, and disseminate trademark information. Applications submitted in paper form will be converted to electronic form for processing. TIS will allow for the complete electronic processing and file management of applications and related materials in fiscal year 2002 and will result in improved quality and greater access to trademark information for examining attorneys and the public.

- **Trademark Work at Home (TWAH)** - TWAH is a two-year pilot under the National Performance Review that began with 18 trademark attorneys working from home three out of five days a week in March 1997. Based on initial positive results, the program could be expanded to include up to 25 percent of examining attorneys for up to 60 percent of their time beginning in late fiscal year 1999. Initial measurements show that participants in the pilot have increased their productivity. Up to 90 examining attorneys could participate by fiscal year 2000.
- **Trademark Image Capture and Retrieval System (TICRS)** - We receive and process large volumes of correspondence. Currently paper versions of these documents are routed and stored using conventional file systems. The Trademark Scanning project will provide the capabilities necessary to manage these documents electronically. The project will capture trademark drawings in applications to replace the manual pulling of drawings for use in the Trademark Search Library. Scanning capabilities will be in place during fiscal year 1999 and complete conversion of paper files to electronic form will be completed in fiscal year 2002.
- **Trademark Search System (TSS)** - The new search component offers improved access and added functionality by attorneys in fiscal year 1999. The current search system component is difficult to maintain and is limited by the number of concurrent examining attorneys who can be supported. During fiscal year 1998, we deployed the replacement search system to support a greater number of concurrent users. Additional capabilities include range searching, additional fields, and the capability to stop a search in progress. The new TSS search component will result in improved access to trademark information and faster response time for examining attorneys.

Funds also are needed to provide new employees access to our office automation capability. Access is provided through the acquisition of a workstation and office automation software licenses; the preparation and installation of the workstation; and installation and connection to our network (PTONet) and our office automation servers. Once access has been provided, funds are included to provide the required technical support services (desktop workstation maintenance, help desk and software support, troubleshooting, etc.), as well as maintenance of the software licenses, network components, and office automation servers.

With the implementation of these projects, employee ownership and accountability for the benefit of the customer will characterize our future environment. Thus, enhancing human resources will be one of the four corporate foundation strategies we are pursuing to meet the goal of providing our customers with the highest level of quality and service. The fundamental purpose behind our human resource practices is to help build organizational capabilities to support our business goals and objectives by aligning organizational values, business strategies, and core competencies. New approaches to human resources management are necessary particularly for recruiting and training new employees. Most importantly, we must prepare the technical support staff for a technologically challenging future in a reengineered and automated trademark examination environment.

Our approach to human resources management includes comprehensive training and special skill-enhancement programs. Guided by our human resources organization, we are developing transition strategies for individuals affected by reengineered business processes. Strategies include retraining, career counseling, a re-careering center, and aggressive outplacement. Included in the plan is a program that provides work opportunities for technical employees via reimbursable service agreements with other Federal entities.

Quality and Customer Satisfaction

We are committed to improving the level of customer satisfaction as measured by our customers. Our challenge is to improve customer satisfaction as measured by surveys of trademark customers conducted in 1995, 1996, and 1998. Based on previous results we have identified critical areas -- clarity and promptness of communication with customers -- that are targeted for immediate improvement. Our training initiatives are designed to create an environment where employees understand the correct course of action to take and thereby improve the methods by which they process requests or respond to customer inquiries. Our education initiatives are increasing employee knowledge of the trademark process so they have a comprehensive understanding of the different uses of trademarks in domestic and international markets. We have begun work on two programs that will address customer satisfaction while improving file management and processing times by addressing the source of the problems that create delays and rework. Customer satisfaction survey results make it clear that the key to resolving complaints is our ability to eliminate problems or resolve them promptly when they occur.

Adopt a Customer - The goal of the program is to provide information to understand, from our customers' point of view, how satisfied or dissatisfied they are with our present level of service and how we can respond in a more appropriate manner to provide satisfaction. Customers will be paired with a single contact in the Office. Contacts will be Trademark managers and petitions attorneys because of their role in managing people, programs, and policy. Customers will address their concerns or complaints and use their contact for problems that have not been resolved through the established business process. Trademark contacts will be responsible for determining and documenting the source and proper resolution of any problem that is addressed to them. The program will offer customers access to Office measures and performance data and a role in providing constructive information for process improvements and changes.

Root Cause Problem Solving – A process that employs “root cause problem solving” methodology is underway to identify the source of process errors, resolve problems, and to provide employees the opportunity to improve process understanding as a means to correct problems. Process problems that have not been addressed through normal channels will be directed to this process for resolution. Data will be recorded and a structured methodology will be employed to trace the cause of failures to provide service. Once corrective action has been taken, problems will be documented to prevent similar failures in the future. The process will be a source of valuable information for improvements in workflow and file management. Information gained from the “adopt a customer” program will be incorporated into this process.

Fiscal Year 2000 Performance Goals and Measures

Performance measures are being used to assess progress towards achieving goals. Evaluation will be based on data collected from automated systems to determine the effectiveness of the measures as well as the results achieved. Results that do not appear to directly influence PTO or Trademark goals will be redefined to more closely match business goals and objectives. For the short-run, productivity and cost measures are not expected to improve given the number of new examiners hired to achieve reductions in pendency.

Table 8

Performance Targets				
Performance Goal: Enhance Trademark Protection	Baseline⁴	FY 1998 Performance	FY 1999 Target	FY 2000 Target
Effectiveness Measure: Trademark Applications filed - classes	200,640	232,384	256,000	282,000
Productivity Measure: Trademark disposals per FTE (including Trademark contractors) ⁵	221	254	217	194
Efficiency Measure: Workload cost indicator ⁶	\$385.20	\$472.23	\$450.85	\$495.95
Quality of Output Measure: Actual pendency - first action (months) Actual pendency - disposal/registration (months)	5.9 16.5	7.2 17.8	3.9 15.5	3.0 13.8
Customer Satisfaction Measure: Overall percent of customer satisfaction	64	63	80	80
Employee Satisfaction Measure: Overall percent of employee satisfaction	42	N/A ⁷	*	75

* Surveys are conducted every two years.

⁴ Baseline measures are derived from fiscal year 1996 actual performance results except for the workload cost indicator estimates, which are based on preliminary activity – based cost accounting models of fiscal year 1997 actual cost accounting data.

⁵ The productivity measure is expected to reflect a decrease from the baseline level because of the significant increase in staffing levels in fiscal year 1998 and 1999. Subsequent years will reflect the expected improvement in productivity.

⁶ The workload cost indicator measures each business area's composite productivity rate, which is the ratio of costs per composite output unit of goods or services provided. This ratio is derived by using total business area costs as the numerator and the actual composite workload number, weighted total of key outputs, as the denominator.

⁷ Survey conducted in October 1998. The Office of Personnel Management is currently analyzing the data, and results are expected to be available in March 1999.

Table 9

Key Objectives
1998 through 2000

<i>1998</i>	<i>1999</i>	<i>2000</i>
<p>Reduced first action pendency by hiring 110 trademark examining attorneys.</p> <p>Acquired and renovated office space to allow an expansion of service operations and an increase in the number of Law Offices from 9 to 15 to accommodate additional examining attorneys.</p> <p>Conducted customer surveys and achieve a 70 percent satisfaction level.</p>	<p>Reduce first action pendency to 3.9 months by hiring 130 trademark examining attorneys.</p> <p>Complete office renovations and hiring to staff 15 Law Offices and expand service operations by January 1999.</p> <p>Increase production by piloting and evaluating alternative compensation systems.</p> <p>Conduct customer surveys and achieve an 80 percent satisfaction level.</p>	<p>Maintain a reduced first action pendency time and reduce pendency to registration/abandonment to 13.8 months.</p> <p>Implement an alternative compensation package (e.g., market based pay) depending on the outcome of an evaluation of the pilot.</p> <p>Increase staff at the Trademark Trial and Appeal Board to address increased workloads.</p> <p>Conduct customer surveys and achieve an 80 percent satisfaction level.</p>
<p>TEAS - Piloted electronic filing of trademark applications.</p> <p>TWAH - Continued pilot of 18 examining attorneys working at home.</p> <p>TICRS - Piloted scanning of incoming applications.</p> <p>TSS - Deployed replacement Trademark Text Search System.</p>	<p>TRAM - Begin incremental deployment of replacement system.</p> <p>TEAS - Begin accepting trademark applications electronically over the Internet.</p> <p>TWAH - Evaluate the pilot and, if results are positive, expand up to 25 percent of examining attorneys.</p> <p>TICRS - Pilot scanning of incoming correspondence; begin scanning all applications.</p>	<p>TRAM replacement fully operational.</p> <p>TEAS - Expand electronic filing.</p> <p>TIS - Begin development of an integrated system by building upon TRAM replacement and the electronic filing system.</p> <p>TICRS - Deploy scanning of incoming correspondence; pilot and deploy scanning of outgoing correspondence.</p>

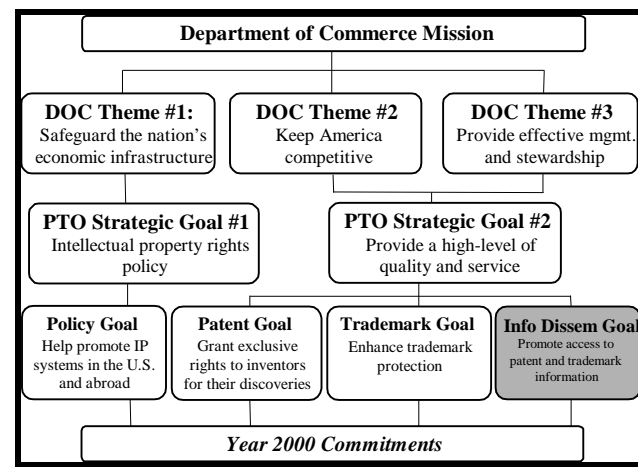
Information Dissemination Business

The Information Dissemination Organization (IDO), the third PTO business line, serve the fundamental purpose of patent and trademark laws by disclosing new technologies and providing public notice concerning intellectual property rights. The availability of this information stimulates scientific inquiry, promotes research and innovation, creates opportunities for bringing new technologies to market, and enhances public awareness of technological advances. Our activities directly support the Department's strategic goal to keep America competitive with cutting-edge science and technology and an unrivaled information base while providing a high-level of quality and service to PTO customers.

We provide products and services that are constructed from information created primarily in the patent and trademark application processing pipelines. The dissemination of patent and trademark information completes the contract with the public and the inventor for full disclosure of the invention in return for a grant of limited monopoly, and provides information regarding current trademarks in use by the business community. The timely dissemination of such information serves two purposes: provides formal notice of individuals' rights to an invention or a mark identifying a good or service; and stimulates creativity, technological advancement, entrepreneurship, and overall economic development. The capability to quickly and accurately access this information often shapes the way businesses position themselves in the marketplace, the decisions they make on new product development, and the manner in which they interact and compete for market share. The impact of patent and trademark information is widespread.

We serve a wide variety of customer groups that include the following:

- Researchers and inventors who use patent and trademark information to validate the uniqueness of their invention or mark;
- Intellectual property owners who seek information to record notice of their ownership of a patent or a trademark and to guard against infringements of their intellectual property rights;
- Businesses and entrepreneurs who seek patent and trademark information to make new products or launch new business ventures;
- Intermediary businesses that obtain patent and trademark information, add value, and sell it to third parties; and
- National patent and trademark offices around the world.



These different customer segments are shaped by their individual requirements and functional needs. To meet the diverse, and sometimes divergent, requirements of such a varied customer group, we have developed an integrated dissemination strategy that facilitates access to patent and trademark information in the most useful form to a variety of customers utilizing the creative solutions of modern technology:

- We provide comprehensive search facilities at our headquarters in Arlington, Virginia, and have partnered with 83 state, university, and local libraries throughout the nation to offer patent and trademark information and search services to citizens in their local communities.
- We operate the PTO's central call center that provides general information on patent and trademark processes to approximately one million customers annually.
- We record intellectual property ownership transfers (mergers, liens, and licenses) and provide certified copies of patent and trademark documents used frequently in legal proceedings and for filing in foreign countries.
- We serve the dual role of information provider and information developer by providing copies of PTO databases to the information industry for resale; providing online and electronic information products to end users of patent and trademark data; and developing techniques for more effective use of patent and trademark data and products.

The Information Dissemination Business Environment

We continue to face many challenges in the delivery and improvement of information products and services. In line with the growth experienced in patent and trademark application filings, we have experienced comparable growth in the demand for information products and services. As a direct result of the steady growth in patents issued and trademarks registered, the document filing volumes in the search facilities, requests for recordation of ownership documents (assignments), orders for regular or certified patent and trademark copies, and orders for certified copies of applications have steadily increased. In addition, other factors associated with national economic activity (e.g., mergers, acquisitions and bankruptcies) also have contributed to IDO workload increases.

Table 10**Key Workload Indicators**

	FY 1998	FY 1999		FY 2000	
	Actual	% Growth	Estimate	% Growth	Estimate
General Information Customers Served	879,273	10	967,000	8	1,042,000
Patent and Trademark Assignments Processed	388,348*	-8*	365,000	5	384,600
Copies of Office Records Provided	631,937	9	687,400	5	705,000
New Patent and Trademark References Filed in Search Facilities	1,993,334	16	2,315,200	5	2,431,000

* Includes processing of fiscal year 1997 backlog

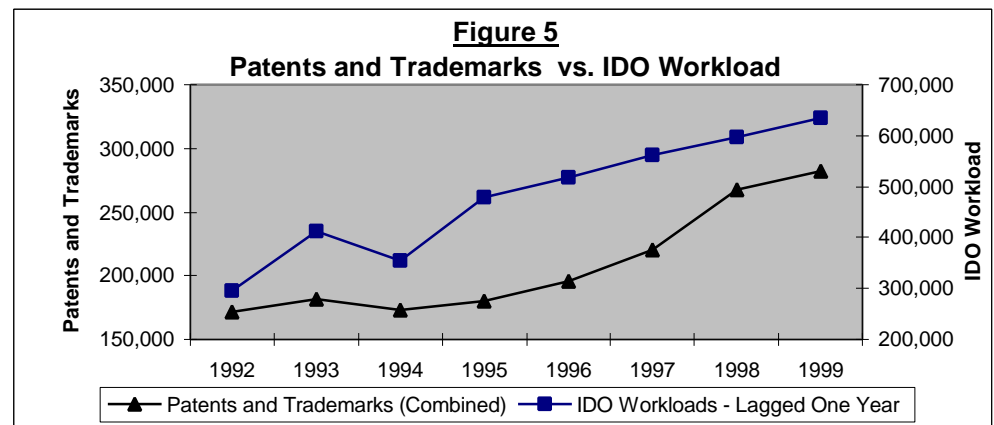
Increased interest and use of the patent and trademark systems have resulted in an increased demand for new patent and trademark information products and a need to expand the service ordering and delivery options. Recognizing the diverse, sometimes conflicting, needs of patent and trademark information customers, it is important to meet their needs through a diverse and varied product portfolio, including paper, electronic (DVD-ROM), and on-line products. Meeting customer requirements is at the heart of our goal to “provide our customers with the highest level of quality and services” and forms the basis of many of our organization’s performance measures.

To address customer requirements, as well as support Electronic Commerce, we are leveraging the Internet to the greatest extent possible. Customer requirements include Internet ordering and delivery options and, as a business, we look to the Internet as a tool which will help contain costs and facilitate new types of commercial transactions. For example, during fiscal year 1999, we will offer access to expanded patent and trademark data via the PTO Internet Web site. Offering patent and trademark databases via the Internet will make it easier for the public to research the most recent technology and information. This brings access to patent and trademark information closer to citizens and businesses who need such information to make important business and investment decisions to successfully compete in today’s global market.

The Information Dissemination Business Case

Timely availability of patent and trademark information is critical to the user community, whether it is used by individual entrepreneurs or small and large businesses to make important decisions on investing in new research and development or going into litigation to determine possible infringement of a patent or a trademark. To meet the challenge of delivering intellectual property information when, where, and in the format needed by our customers, we must offer our varied customer groups a diverse product portfolio supported by efficient business processes that effectively use a variety of delivery channels. We offer these products through on-line ordering, fax, and telephone requests made directly to the PTO, through PTDs located across the country, or through various private companies which purchase bulk data from us in order to resell the data to thousands of their own customers.

As illustrated in Figure 5, growth in both patent issues and trademark registrations result in a proportionate increase in the demand for patent and trademark information products and services. In addition to these increases, we also are experiencing increasing customer requirements to employ varied formats, different types of media for transmitting the information, and additional delivery methods. To meet this growing and varied customer demand for intellectual property information, we must use new and creative solutions that will satisfy a broad range of customers.



The relationship between meeting customer requirements and conducting efficient dissemination programs is a delicate balance. Our dissemination strategy provides products and services through varied delivery mediums that meet key customer requirements at the lowest possible cost. We are pursuing new and creative solutions, such as conversion to DVD-ROM technology, implementation of computer telephone integration, use of the Internet and electronic commerce. These approaches take advantage of technological advancements to increase the quality and speed of disseminating information and reducing costs. Our challenge is to make full use of current technologies and keep attuned to future opportunities.

Year 2000 Commitments

All IDO business activities for fiscal year 2000 support our commitment to Vice President Gore:

- We are enhancing communication with our customers and delivering information when, where, and in the format needed, by enabling customers to use the Internet to access patent and trademark data, to request information on the status of their applications, and to place orders and receive products.

Information Dissemination Business Goals

Our macro performance goal is to promote awareness of, and provide effective access to, patent and trademark information. In direct support of this macro goal, we have delineated the following business goals that drive the activities proposed for fiscal year 2000:

- Consistently achieve customer satisfaction by understanding and supporting our customers' needs.
- Promote the use and accessibility of intellectual property information.
- Develop the highest quality information products and services, which deliver information when, where, and in the format needed.
- Promote cooperation with other intellectual property offices through cooperative projects and exchanges.
- Select, develop, and promote a work force that is skilled, productive, creative, and promotes excellence.

Organizational measures include customer evaluation of ease of access/effectiveness; customer satisfaction; unit cost of key products and services; percentage of orders for key products being filled on schedule; percentage of metropolitan areas served by a PTDL; and employee satisfaction.

Table 11

Operational Budget
(Dollar amounts in thousands)

	FY 1998 Actual		FY 1999 Currently Available		FY 2000 Request	
	FTE	Dollars	FTE	Dollars	FTE	Dollars
Information Dissemination Process	179	\$31,615	203	\$37,071	200	\$39,833
Information Technology¹	16	\$5,676	13	\$7,587	25	8,470
Development		3,012		3,012		4,259
Enterprise Infrastructure		2,664		4,575		4,211
Resource Management	34	\$7,681	33	\$8,852	38	9,033
Information Dissemination Total	229	\$44,972	249	\$53,510	263	\$57,336

For fiscal year 2000, we propose a budget of 263 FTE and \$57,336,000, including our share of resource management and information technology infrastructure distributed in accordance with our activity-based cost accounting model. This represents an increase of 14 FTE and \$3,826,000 over the fiscal year 1999 operating budget or a decrease of 4 FTE and an increase of \$4,795,000 over the fiscal year 2000 base.

For fiscal year 2000, increases are requested to sustain current service levels and process increased information dissemination workloads (see Table 10 for a summary) and maintain patent and trademark database information on PTO's Web site.

Sustain Production and Current Service Levels

An increase of \$2,141,000 is requested to sustain current service levels and process increased workloads as depicted in Table 10 in the four key programs: Patent and Trademark Search Services, Assignment Recordation Services, Document Dissemination Services and the General Information Call Center. These resources will provide funding to ensure the paper files in the search facilities are current with each week's issue of

¹ Cost estimates for IT Development are direct. IT infrastructure cost estimates are burdened and distributed in accordance with our activity-based cost accounting model.

new patents and trademarks and that adequate photocopying equipment is provided for patron use on a fee reimbursable basis. The resources will also ensure that public requests for recordation of patent and trademark ownership transfers and copies of office records are provided in a timely manner. Timely services are important to meet customer requirements for foreign filing deadlines, requests to support litigation, and complete commercial transactions (i.e., mergers, liens, and licenses). The resources also provide the funding to answer public requests for general information about the patent and trademark processes. Without these resources, backlogs will develop in key production areas that will negatively impact service goals, customer satisfaction and product sales revenue. Backlogs, when worked off at more expensive overtime rates, will contribute to inefficiencies and higher production costs.

Maintain Patent and Trademark Information on the Internet

In fiscal year 1998, the PTO expanded its Internet Web offerings by providing a searchable text and image database of over one million pending and registered trademark records. In fiscal year 1999, IDO will provide Web access to the full text of patents granted since 1976 and plans to incorporate patent images for the same time period. In fiscal year 2000, we are requesting an increase of \$1,150,000. This request includes hardware costs associated with escalating storage requirements, telecommunication costs associated with increasing demand, and staff costs associated with updating the databases with new patent and trademark information issued weekly. This funding supports our Year 2000 Commitment to enable customers to access patent and trademark data via the Internet.

***If we establish an environment
in which electronic commerce
can flourish, then every
computer can be a window open
to every business, large and
small, everywhere in the world."
-Vice President Al Gore***

Fiscal Year 2000 Performance Goals and Measures

We are committed to evaluating the performance of all existing and new programs. Performance will be monitored to assess the effectiveness of our activities and new initiatives. The process used to collect and manage performance data will be reviewed periodically to determine if improvements can be made to data reliability, collection, and access. The six measures delineated in Table 12 support our macro performance goal to promote awareness of, and provide effective access to patent and trademark information and will measure our success in fiscal year 2000.

Data used to measure customer satisfaction and effectiveness measures are obtained through customer surveys. We plan to conduct these customer surveys on a two-year cycle, which allows for compilation and analysis of results and subsequent implementation of service improvements. The next survey cycle is in fiscal year 1999 and then in fiscal year 2001. Data for each of the other performance measures is extracted from existing internal systems.

Table 12

Performance Measures				
Performance Goal: Promote awareness of and provide effective access to patent and trademark information.	Baseline²	FY 1998 Performance	FY 1999 Target	FY 2000 Target
Effectiveness Measure: Customer evaluation of ease of access (percent)	84	*	90	*
Percent of top 100 most populated areas served by Patent and Trademark Depository Libraries.	55	58	58	61
Customer Satisfaction Measure: Overall level of customer satisfaction with key products and services as determined by responses to a customer satisfaction survey (percent)	84	*	90	*
Quality Measure: Timeliness - Percent of key products and services meeting schedules or cycle time standards	63	70	80	80
Efficiency Measure: Workload cost indicator ³	\$11.42	\$11.68	\$8.66	\$8.90
Employee Satisfaction Measure: Overall percent of employee satisfaction	54	N/A ⁴	*	65

* Surveys are conducted every two years.

² Baseline measures are derived from fiscal year 1996 actual performance results except for the workload cost indicator estimates, which are based on preliminary activity-based cost accounting models of fiscal year 1997 actual cost accounting data.

³ The workload cost indicator measures each business area's composite productivity rate, which is the ratio of costs per composite output unit of goods or services provided. This ratio is derived by using total business area costs as the numerator and the actual composite workload number, weighted total of key outputs, as the denominator.

⁴ Survey conducted in October 1998. The Office of Personnel Management is currently analyzing the data, and results are expected to be available in March 1999.

Table 13

Key Objectives
1998 through 2000

<i>1998 Accomplishments</i>	<i>1999</i>	<i>2000</i>
<ul style="list-style-type: none"> • Provided trademark full text and image database on PTO's Web site. • Designated new Patent and Trademark Depository Libraries in New Haven, CT, and Hartford, CT. • Established a PTDL Partnership in Houston, Texas. • Converted Trademark Search Library to the international classification system. 	<ul style="list-style-type: none"> • Provide patent full text and image database on PTO's Web site. • Provide ordering and delivery of information products via the Internet. • Upgrade from CD-ROM to DVD-ROM. • Establish two new PTDL Partnerships. • Complete preliminary PTDL designation activities in six institutions in high population areas. • Conduct customer surveys and achieve a 90 percent satisfaction rate 	<ul style="list-style-type: none"> • Maintain current program to meet current service levels. • Maintain patent and trademark databases on PTO's Web site.

Policy

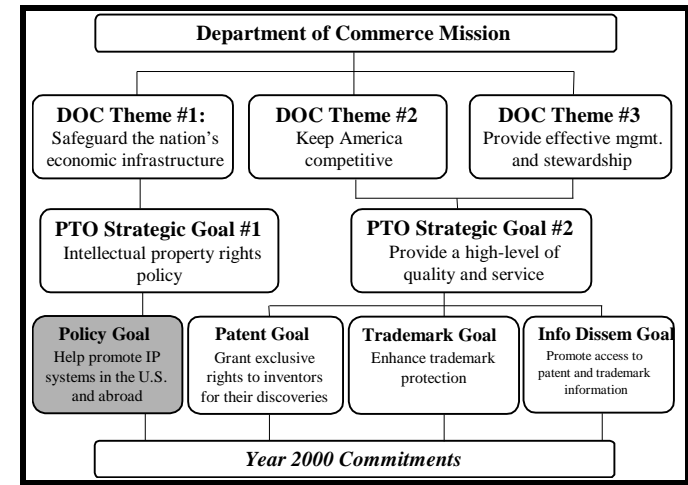
The Policy function provides leadership and direction to the PTO's three businesses and corporate support organizations of the PTO. We also promote and provide expertise in the area of intellectual property rights -- patents, trademarks, and copyrights. Intellectual property rights play an important role in promoting innovation in science and technology, and in ensuring that resulting products and services reach desired markets around the world. If American businesses are to remain competitive, the effective protection of intellectual property rights must be guaranteed throughout the world. The PTO plays a leadership role in intellectual property rights policy development and in promoting the use of intellectual property rights as a means of economic prosperity and competitiveness. This directly contributes to the Department's strategic goal to build for the future and promote U.S. competitiveness in the global marketplace.

The Policy Agenda

The role of intellectual property systems in stimulating the American economy has become increasingly important. International negotiations, consultations, and information-sharing efforts led by PTO leaders and international specialists are geared to secure, improve and expand protection of U.S. intellectual property rights throughout the world. We are committed to accomplishing President Clinton's Framework for Global Electronic Commerce by continuing to work closely with other U.S. government agencies and foreign counterparts to create a consistent environment that is mutually beneficial to all parties and fosters economic development on a global scale. More specifically, our policy agenda is to update and make more efficient our system for protecting patentable innovations to meet the needs of the fast-moving electronic age and to seek agreements with other governments to protect patentable innovations worldwide.

The organizations comprising the Policy function include the Office of the Assistant Secretary of Commerce and Commissioner of Patents and Trademarks, the Office of the Deputy Assistant Secretary of Commerce and Deputy Commissioner of Patents and Trademarks, the Solicitor, the Office of Legislative and International Affairs, and the Office of Enrollment and Discipline.¹

¹ This change occurred in fiscal year 2000. In prior years, the Policy function only included the Office of Legislative and International Affairs, and the Office of Enrollment and Discipline.



Of primary importance to the accomplishment of the PTO's policy goal is drafting legislative and policy proposals concerning intellectual property matters, preparing supporting documentation to carry out the legislative programs and policies of the Commissioner, and reviewing and analyzing other legislative proposals concerning intellectual property matters. Policy specialists also engage in multilateral and bilateral negotiations to strengthen intellectual property protection worldwide. On-going efforts include the development and maintenance of multilateral systems for the protection of intellectual property rights; assistance in the establishment of bilateral agreements with other intellectual property offices; participation in the intellectual property aspects of trade consultations; patronage in the establishment of adequate systems in developing countries for the protection of intellectual property rights; and development of international standards and procedures to make it easier for U.S. nationals to obtain rights in other countries and to facilitate access to the information contained in patent and trademark documents.

Table 14

Operational Budget						
(Dollar amounts in thousands)						
	FY 1998 Actual		FY 1999 Currently Available		FY 2000 Request	
	FTE	Dollars	FTE	Dollars	FTE	Dollars
Policy	70	\$9,624	73	\$12,122	78	\$14,086
Information Technology²	7	\$2,455	6	\$3,281	7	3,663
Development		276		128		128
Enterprise Infrastructure		2,179		3,153		3,535
Resource Management	16	\$3,538	15	\$4,079	15	4,161
Policy Total	93	\$15,617	94	\$19,482	100	\$21,910

For fiscal year 2000, we propose a budget of 100 FTE and \$21,910,000 (including our share of resource management and information technology infrastructure distributed according to our cost accounting model). We are requesting an increase of 6 FTE and \$2,428,000 over the fiscal year 1999 operating budget, or an increase of 5 FTE and \$1,556,000 over base. Our request is for staffing (including funds to provide new employees with access to our office automation capability), travel, and training. At this increased level, we will enhance our international and legislative activities such as the Agreement on Trade-Related Aspects of Intellectual Property (TRIPs), and the Secretary's Africa Initiative. Performance, as

² Cost estimates for IT Development are direct. IT infrastructure cost estimates are burdened and distributed in accordance with our activity-based cost accounting model.

measured by the number of countries receiving technical assistance will increase by seven percent, and the total number of technical assistance activities completed will increase by three percent.

Agreement on Trade-Related Aspects of Intellectual Property (TRIPs) - As a member of the World Trade Organization (WTO), the United States must adhere to TRIPs' Article 67, which requires developed country members to provide technical assistance to developing and least-developed countries in the preparation of laws and regulations on the protection and enforcement of intellectual property rights. It also mandates providing assistance in the prevention of abuse of these rights, providing support regarding establishment of domestic offices and agencies, and the training of personnel. The PTO is looked upon as the global expert in intellectual property development and enforcement. For this reason, we are often asked to provide technical assistance to many of these countries in order to facilitate enforcement issues.

At present there are 132 members of the WTO, of which 78 are considered developing countries which must meet TRIPs standards by fiscal year 2000 and an additional 30 are considered least-developed countries that must be TRIPs compliant by fiscal year 2006.

We are drafting "Guiding Principles for Bilateral and Regional Intellectual Property Relations" to determine priority for providing technical assistance. Countries would be included on the list based on their market size, severity of problems, possible precedential or multiplier effects, the Special 301 process, industry requests and priorities and industry efforts. The principles emphasize adequate and effective levels of protection for all categories of intellectual property; establishment of a legal framework for protection and enforcement of intellectual property laws before technical assistance is offered; the administrative requirements of intellectual property offices; promotion of technical assistance and training; and adoption of intellectual property modernization plans.

We are working with the United States Trade Representative (USTR), the World Trade Organization, and other developed countries to identify an efficient system for conducting the technical review process. We have proposed the development of a common "checklist" of questions for each form of intellectual property. Countries subject to review would be asked to conduct a preliminary assessment of their laws, thereby enabling all developing countries to be reviewed on each form of intellectual property. This would minimize the resources required for the review process and provide an indicator of compliance in a uniform manner. By using this method the whole review could be completed in two years. Our involvement, however, will continue to increase as the least-developed countries seek assistance to meet TRIPs requirements in fiscal year 2006. It is anticipated these countries will require more technical assistance than the developing countries to meet the required standards.

Technical Assistance to Sub-Saharan Africa -Secretary Daley launched a vigorous Africa Commercial Strategy with four major themes. The first, capacity building, is most significant to the PTO. This effort is designed to help African countries to build the infrastructure – both physical and economic – to improve the business climate for American businesses. From an economic perspective, this means transparent regulatory systems, enhanced intellectual property protection, and better currency management. The related themes include focusing on the environment, improving

trade and investment by continuing to raise awareness among U.S. businesses of the great opportunities in Africa, and electronic commerce which would enable small and medium-sized businesses to reduce the amount of time and expense related to doing business in Africa. Overall, the Secretary is forging a U.S. partnership with Africa that is aimed at speeding the economic development of Africa, cementing our ties, and strengthening our trade and investment relationships

At present, the number of original applications for trademark registrations and patents in Africa is low, and the export of copyrighted materials appears to be small, except for some folklore-related works. However, there are two regional arrangements that offer potential for a future viable intellectual property system.

The first, the African Intellectual Property Organization (OAPI), is located in Yaoundé, Cameroon and serves 14 French speaking countries. OAPI grants a patent that is valid in its member States. A second regional arrangement, known as the African Regional Industrial Property Organization (ARIPO), is headquartered in Harare, Zimbabwe. Originally established to serve English-speaking countries, ARIPO now serves 11 countries throughout Africa. ARIPO grants patents that are enforceable in member states. However, member states may also issue patents.

To help African countries build an economic infrastructure that is conducive to trade, we will work with these regional offices as well as countries that maintain their own intellectual property systems to ensure that officials who are responsible for intellectual property laws and administration are knowledgeable about topics such as TRIPs implementation, enforcement of rights, the use of existing intellectual property systems to protect folklore, the operation of collection societies, the developments in information technology that improve the administration of industrial property offices, and the benefits of protecting biotechnological inventions. Participating officials would include staff of industrial property offices, decision-makers in the executive and legislative branches, judges, prosecutors, and other enforcement officers.

We will provide seminars and technical training. Some of this would be done through the existing Visiting Scholars Program, whereby officials from foreign national intellectual property offices come to the PTO for training to enable them to gain an understanding of the important role of intellectual property protection as a tool for economic development. In doing this, we will seek assistance and cooperation of others, such as the Commercial Law Development Program, the Agency for International Development, the United States Information Agency, and the World Intellectual Property Organization.

Funds will be used to underwrite the transportation and subsistence expenses of up to 10 participants to the Visiting Scholars program and to conduct two seminars in fiscal year 2000. Our ability to obtain assistance from other agencies (such as meeting rooms, interpretation, etc.) would enable the number of participants to increase. We will evaluate the effect of this program through feedback from participants, reports from U.S. Embassy officers in the region, and input from partners and cosponsors.

On-Going International and Legislative Activities

Performance-Based Organization (PBO) Legislation – The PBO tool was developed to help the Government operate more efficiently. PBOs encourage Government executives in an organization to bear responsibility for its level of performance. These executives commit to meet tough annual performance goals, and if successful, they can receive substantial bonuses. To help them meet these goals, executives can exercise greater flexibility in hiring, compensation, and procurement. During the 106th Congress, the Administration will develop legislation to establish additional PBOs, including the Patent and Trademark Office.

WIPO: Wire the World - As a result of the PTO's policy leadership, WIPO established a Standing Committee of Information Technologies (SCIT) to refocus WIPO's programs to take full advantage of modern information technologies; to ensure that WIPO's International Bureau (IB) effectively utilizes and disseminates modern information technologies and standards based on these technologies; and to coordinate such activities with the WIPO Budget Committee. The PTO, the European Patent Office (EPO) and the Japanese Patent Office (JPO) are participating in SCIT activities. The PTO has led the technical work group chartered to develop the Global Information Network technical specifications.

We also have prepared an Intellectual Property Cyber Plan in collaboration with the Japanese Patent Office that proposes three initial projects that are consistent with our internal information technology plans as documented in our fiscal year 1999-2004 Strategic Information Technology Plan. These three initiatives are aimed at helping developing countries take advantage of information technology and include: develop and deploy a secure global information infrastructure, establish a network of intellectual property digital libraries, and automate the PCT receiving office operations.

Patent Law Treaty - We will continue our participation in the WIPO to harmonize the formal requirements associated with patent applications and patents in different nations' patent applications and patents. A committee of experts meeting under the auspices of the WIPO is developing treaty articles and regulations that will harmonize many of the formal requirements related to patent applications and patents. This effort will simplify patent applicants' and holders' formal obligations and reduce their costs for obtaining and preserving their rights internationally. The committee of experts is continuing to meet to develop articles and regulations for the Treaty.

Trademark Legislation - The Administration will continue to work with the European Community to resolve objectionable voting provisions in the Madrid Protocol. Resolution of these issues would permit the U.S. to accede to the Madrid Protocol. The Administration will then seek legislation to implement the Protocol. The Protocol would permit a U.S. trademark owner to file for registration in any number of countries by filing with the PTO a single standardized application with a single set of fees. If enacted the legislation would have an impact on trademark operations, as described in the Trademark Business section.

Other Electronic Commerce Activities - In addition to the above, planned activities that support President Clinton's Framework for Global Electronic Commerce include:

- *Domain Name Dispute Resolution* – For developing acceptable legal and procedural regimes for settlement of trademark domain name disputes, the PTO has been directed to cooperate with the National Research Council of the National Academy of Sciences to conduct a comprehensive study of the effects on trademark rights of adding new generic top-level domains and related dispute resolution procedures.
- *Standing Committee on Information Technology (SCIT)* – Formally known as the WIPO Permanent Committee on Industrial Property Information (PCIP), the SCIT is currently working to:
 - Establish the Global Intellectual Property Network;
 - Create Intellectual Property Digital Libraries to facilitate the global exchange of intellectual property information; and
 - Establish international standards for electronic data structures and formats and exchanges.
- *Trilateral Working Groups* – For implementing electronic data exchanges among the PTO, the EPO, and the JPO.
- *Database Protection* – The Administration is also seeking to enact database protection legislation in support of global electronic commerce.

FY 2000 Performance Goals and Measures

In fiscal year 2000, our policy specialists will be instrumental in carrying out the PTO's strategic goal of playing a leadership role in intellectual property rights policy, particularly the macro performance goal to help protect, promote, and expand intellectual property rights systems throughout the United States and abroad. The desired results of our policy activities are to have a competitive America in the global market place, a strong and unimpeded economic infrastructure; and effective management and stewardship of intellectual property rights which contribute to sustainable economic opportunities.

Table 15

Performance Measures

Performance Goal: Help protect, promote, and expand intellectual property rights systems throughout the United States and abroad.	Baseline	FY 1998 Performance	FY 1999 Target	FY 2000 Target
Increase in technical assistance to developing countries and countries moving to a market economy:				
• Number of countries provided technical assistance	47	73	73	78
• Number of technical assistance activities completed	59	90	90	93

Corporate Support

Our three businesses and Policy function rely on corporate support to meet their individual performance goals; that is, resource management (human resources, planning, financial management, procurement and space management) and information technology enterprise infrastructure. These corporate support activities are critical as the PTO continues to experience increased workloads, as we transform into a modern 21st century organization, and as we consolidate into space that exhibits design and construction excellence which promotes a healthy, efficient, flexible and pleasing work environment and results in enhanced worker productivity.

In line with the requirements of OMB Bulletin 97-01, Form and Content of Agency Financial Statements, and our revised budget structure, funding for corporate support activities has been allocated to the three business lines and the Policy function on the basis of our activity-based cost accounting model. This section explains the increases for fiscal year 2000 as well as the major corporate support activities under way from base funding.

Fiscal year 2000 Increases

We are requesting an increase of \$4,506,000 for enterprise infrastructure, or a total budget of \$118,128,000 for fiscal year 2000. A majority of the increase will fund expansion of the existing infrastructure to accommodate increasing workload. The remainder will fund improvements in the way the infrastructure is managed and monitored. A full description of the enterprise infrastructure and the need for the increases is found on pages 85 to 91.

We also are requesting an increase of \$6,400,000 for Resource Management activities, or a total budget of \$75,569,000 for fiscal year 2000. The increase will align required staffing and funding levels in the Office of Finance, the Office of Procurement, the Office of Administrative Services, and the Space Acquisition organization as follows:

- Office of Finance – Funds are requested to comply with the changing federal financial reporting environment. In particular, resources will be used to develop and modify financial management and reporting systems, adapt current operating procedures, and revise and develop new methodologies to capture and report on additional budgetary and program cost information in a useful and cost efficient manner. The requested increase will be used to fully fund staff and contracts to:

- Review accounting systems and procedures to ensure that accounting events and transactions are recorded in accordance with the Standard General Ledger and are compliant with the newly promulgated body of generally accepted Federal financial accounting standards;
 - Ensure that all systems, processes, practices, and procedures comply with the Joint Financial Management Improvement Program's financial management systems control requirements as stipulated in the eight booklets issued by the General Accounting Office;
 - Prepare the financial reports required by the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994;
 - Perform cost analyses, including analyses of costs that support fees under 35 USC 41(d) and cost analyses that support performance measures as required by the Government Performance and Results Act of 1993;
 - Provide priority systems maintenance and support for the Revenue Accounting Management (RAM) system;
 - Provide priority systems maintenance and support for critical Information Dissemination Organization fee processing activities;
 - Collect data and implement procedures necessary to make vendor payments fully electronic;
 - Collect data and implement procedures necessary to refer all delinquent debts to the Department of the Treasury; and
 - Provide adequate systems management and oversight of the financial systems and operations described below (pages 78-81).
- Office of Procurement – This organization is transforming itself into a modern procurement operation that meets the needs of our businesses. In a dynamic, ever-changing environment, reliance on contractors to provide short-term support is a viable alternative to increasing Federal employment for functions which may be short-lived. Highly trained procurement staff who are business experts are needed to meet the PTO's business needs of the future.
 - Office of Administrative Services – The primary driver of increased funding for this organization relates to the file maintenance repository support services. This contract meets the following objectives: inventory, sort and file newly issued patent and trademark files in the repository within 24 hours after receipt; fulfill requests for files within six working hours after receipt; sort and file files returned to the repository within four working hours after receipt; and insert miscellaneous papers in their corresponding file within eight hours after receipt. An additional need for increased funding is the increased telecommunications costs associated with the Trademark Work-at-Home project.
 - Space Acquisition Organization – Included in the increase requested above are resources to enhance the capabilities of the space acquisition organization to manage the space consolidation project and support each business in preparation for the consolidation. This includes coordinating three phases of space design review; planning, coordinating and implementing a move schedule; and ensuring all contracts and contractors are providing the Government with best value. In addition, funds are requested to enhance our computer-assisted design and drafting capabilities which will be needed to work with each business area in designing, documenting, and tracking interior buildouts of the new consolidated campus.

Resource Management

Space 2000

Although no increase in funds has been requested for fiscal year 2000, PTO continues to move forward on its space consolidation project. Barring unforeseen complications, the contract award for our long-term space consolidation is scheduled for the second quarter of fiscal year 1999. A lawsuit has been filed in the U.S. District Court (E.D.Va.) alleging that the procurement process unfairly disadvantages offerors of existing construction. The Government, represented by the U.S. Attorney's Office, is engaged in defending the suit.

This Corporate Plan includes \$20 million in base funding for the space consolidation project. This funding will be used to meet the requirements in fiscal year 2000 to keep the project on schedule. The following project costs are included in the fiscal year 2000 base: information technology relocation (planning, requirements development, procurement and contract awards); project management (design, planning and project management support); security systems acquisition (security technology upgrades to replace the current labor-intensive security program); and project costs obligated in agreement with the General Services Administration (GSA).

No additional funds were requested for fiscal year 2000 because obligations for many items are not required until fiscal year 2001. PTO also is gathering data necessary to provide detailed justifications for expenditures in 2001 and beyond. For example, PTO has initiated a complete inventory of the agency's existing furniture, which will be completed by the end of the third quarter of fiscal year 1999. The results of this study will form the basis for a funding request in fiscal year 2001.

Human Resources

The role of our human resources organization is to help build organizational capabilities to support the PTO's objectives by aligning organizational values, business strategies, and core competencies. In addition, it supports the overall PTO commitment to effectively enhance and manage human resources towards achieving organizational goals.

In addition to the traditional human resources support (e.g., hiring, processing payrolls and carrying out civil rights programs), three activities are critical to the effective operations of the PTO in fiscal year 2000. No Resource Management funds are being requested for these activities, however, they are critical for meeting the Patent and Trademark businesses needs, for which funding has been requested.

- Alternative Compensation – We are exploring innovative compensation strategies that would help achieve organizational goals. In collaboration with the businesses, the human resources organization will begin exploring various compensation strategies, which includes broad pay banding; market-based pay, variable pay, gainsharing, pass/fail performance appraisals, retention, and recruitment bonuses. Once compensation issues have been studied further, to assess the experiences of other public and private sector organizations that have alternative compensation systems are in place, we will formulate an enterprise-wide plan. We will establish a task force teams to develop workable plans of action, obtain demonstration authority, initiate a demonstration project, evaluate the pilot to measure changes in performance, and implement broad pay banding in the Patent and Trademark businesses in fiscal year 2000. Further details are included in the Patent and Trademark Business sections.
- Enhanced Labor Relations – This activity is intended to improve the pre-decisional process towards achieving successful partnership agreements. This will involve establishing a formal partnership agreement with the Unions (NTEU 243, NTEU 245, and POPA), conducting an assessment to determine current relationships, studying best practices of successful private and public sector entities, and developing formal recommendations for changes in the PTO. Based on the assessment report, identified best practices, and enhanced labor relations proposal, a plan will be established to seek implementation of best practices in Labor Relations and to strengthen the current workforce environment. A pre-decision and information plan between management and union would be established, and a strategy for continuous improvement would be developed. This will enable PTO to implement a formal information sharing process plan for pre-decisions with the unions and to conduct quarterly assessments to measure the success of the agency's partnership agreements.
- Career Transition – We recognize the impact that technology will have on our employees and we are committed to offer employees innovative training programs at PTO University and work-at-home opportunities.

The transformation of our processes through reengineering, realignment of organizational functions and the deployment of new technology means that we will need significantly fewer technical support staff performing manual tasks and more technically proficient support staff than we presently employ. The strategy involves transforming the organization to meet the requirements of additional work and transforming employees to new duties to carry out the work. To accomplish this, the PTO, in partnership with NTEU 243, the union representing our clerical and administrative staff, is preparing to implement a four pronged enterprise approach entitled *Innovative Employee Programs*.

The *Innovative Employee Programs* are intended to serve as flexible templates which can provide assistance in designing the infrastructure for all personnel realignments related to reengineering or other workflow changes. While they are expected to provide the enterprise framework, the components will be customized to meet the needs of each organization. The programs are being designed to develop partnerships with government and private sector organizations that are recognized leaders in their fields. This will enable PTO to provide employees the best possible expertise, technology and techniques to assist them in the process of transitioning to new careers. The four prongs of the workforce transition effort will be configured into the following programs:

- Professional Education and Certification Program – In addition to our PTO-University academic partners, we will partner with the Office of Personnel Management (OPM) to develop extensive assessment and evaluation activities of current employees. These are employees in the identified workgroups who have demonstrated educational potential (e.g., college degrees, relevant college courses, etc.) to successfully complete degree programs in Computer Science, Engineering, Life Sciences and Physical Sciences which could qualify them for professional positions within the PTO. Employees will be acknowledged, offered voluntary assessments, provided training based on assessment results, interviewed, and competitively selected through a structured evaluation process. Eligible employees who wish to participate, will be given academic training through one or more PTO-U partners. After successful completion of all educational and Patent Academy prerequisites, participants will be converted to patent examining areas for which they qualify.
- PTO-Re-Careering Placement and Certification Program – This effort involves the expansion of several of PTO's career development services into a highly focused and tightly structured program developing career resiliency in the segment of the workforce which will be directly impacted by technology and reengineering. The purpose of the Re-Careering Placement and Certification Program is to provide education and training for technical support employees who are not eligible for the Professional Education and Certification Program. The Re-Careering Center will make opportunities available that are designed specifically to aid employees who need to enhance their present skills to become more comfortable and proficient in an automated environment. Employees will be offered voluntary assessments, provided training, certified in a program field, and mentored. Eligibility certification training will be available in fields such as computer technician, patent analyst, and search technician. The training will include instructional labs, highly interactive practice sessions, mentoring and support systems, taping and critiquing sessions, and structured feedback. After successful completion of all requirements, appropriate certification will be awarded and employees will be deemed qualified for placement in positions commensurate with their skills. This comprehensive effort is expected to run concurrently with other programs in PTO University, which had an enrollment of 760 in fiscal year 1998.
- PTO Franchise Placement System -- This will constitute a franchising activity, which will take advantage of the highly skilled group of administrative, technical support and temporary employees at PTO. The Office has recruited, selected, trained extensively, and retained this workforce during other similar agency restructuring efforts over the years.

The resulting group is a proven cadre of employees who are highly motivated, skilled and able to respond positively to support production efforts or general agency mission requirements. Using partnership arrangements, PTO will seek to work with OPM, other Federal agencies and private establishments. Arrangements will be made to temporarily reassign these employees to work where needed in cooperating organizations on a reimbursable basis with the possibility of permanent placement being the ultimate goal.

- Selective Compensated Career Transition (Targeted Buyouts) -- PTO will seek legislative authority to offer buyouts to targeted series, grades, or organizational units in this workforce. This will help individuals who are not eligible for retirement or do not have the resources or skills to prepare themselves for new careers. This effort will be implemented concurrently with each of the other prongs of the strategy and may act as a safety net for employees who qualify.

The first pilot of this effort, up-skilling employees, was initiated in 1998 with full implementation scheduled for fiscal year 1999. It is a project championed by the Patent organization to retrain its technical support staff.

Our human resources activities are being facilitated by the Human Resources Information System (HRIS), a partnered effort with the Office of the Secretary and all Commerce bureaus, which will enable us to carry out our mission by providing an integrated approach to human resource management and support for business process improvements. The implementation of this system will allow us to provide better service to our employees and customers by:

- providing accurate information concerning recruitment, workforce planning, training, and payroll in a timely manner to enable managers to make effective business decisions;
- providing automated tracking of applications, resumes and related human resources documents, leading to a better audit trail and internal controls;
- providing a systematic and consistent process for assignment and management of case workload without duplication of effort; and
- reducing the space needed for storage and paper files.

Financial Management

Our financial management organizations support the PTO mission by ensuring that the federal employees, contractors, and vendors necessary to protect intellectual property rights are paid promptly, accurately, courteously, and in accordance with the law. We also ensure the fees necessary to protect intellectual property are recorded, processed, and summarized in a timely and effective manner; and we provide detailed financial information necessary to allocate the financial resources necessary to protect intellectual property.

Our financial management organizations also maintain a system of internal controls necessary to safeguard and protect the financial resources entrusted to the PTO by the public, and to report from time to time on the status and results of PTO's financial resources. This reporting includes the following external reports: the annual audited financial statements required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994; the Standard Form 133, Report on Budget Execution; the Financial Management Services Form 224, Statement of Transactions; the Financial Management Services Form 2108, Yearend Closing Statement; the Standard Form 220.9, Report on Receivables; and the Federal Agencies' Centralized Trial-balance System's Adjusted Trial Balance (FACTS) and FACTS II.

In addition, the following internal reports are generated for the effective and efficient management of PTO: monthly financial statements (budget roll-ups), personnel services reports, full-time equivalent reports, as well as specialized reports for certain business areas.

To support the proper recording, processing, summarizing, and reporting of PTO's assets, liabilities, revenues, and expenses, our financial management organizations maintain a core accounting system that is fully compliant with the U.S. Standard General Ledger. We also maintain subsidiary ledgers to facilitate the timely and accurate reporting of capital assets, accounts payable, and revenues and other fees; and two management information systems that provide corporate-wide financial information to PTO decision-makers in a timely and efficient manner.

Our financial management organizations serve as the coordinator for fees processed throughout the PTO, including: the overall reconciliation and daily deposit of fees to the appropriate banking institutions, maintenance of approximately 3,500 depository accounts established for fee collection usage in lieu of cash payment, daily microfilming of deposit account authorization documents for future customer inquiries, and responding to customer inquiries. Our financial management organizations are responsible for collecting and processing maintenance fee payments, including producing and ensuring timely notification of maintenance fee reminders and patent expirations, providing data for *Official Gazette* notices on patent expirations and maintenance fee due dates, processing of maintenance fee addresses for appropriate forwarding of maintenance fee statements, and customer inquiries. We are responsible for numerous refund duties, although these are expected to be devolved to the business units as the Revenue Accounting and Management system (RAM) becomes fully utilized. We also are responsible for modernizing the fee collection process, e.g. use of Internet, new lock box to automate maintenance fee processing.

Our financial management organizations have helped increase the use of automation to improve the PTO's resource management:

- The Revenue Accounting Management (RAM) System – RAM replaced the Cash Receipts/Deposit Account system. RAM ensures continued compliance with federal requirements for automated financial systems. RAM was on-line and fully functional in June 1997. In fiscal year 1999, we will incorporate patent maintenance fee capability and subscription services in RAM. In fiscal year 1999, we will also incorporate electronic funds transfer capability in RAM and credit card payments over the Internet for trademark and information dissemination transactions.
- The Federal Financial System (FFS) System -- FFS is an automated software package that covers all the major facets of federal financial accounting. FFS is under a cross-servicing agreement between the PTO and the U. S. Geological Survey. FFS version 5.1.5 was implemented in fiscal year 1998. This upgrade will enable FFS to become Year 2000 compliant.
- Program Office Desktop (POD) System – POD is an upgrade to FFS designed to support program and office managers in administrative and financial functions. POD is a state-of-the-art client/server application that operates in conjunction with a real-time interface to FFS and

Procurement Desktop (PD) and includes the following functionality: budget execution, planning, purchasing, accounts payable, automated disbursements, accounts receivable, cost allocation, and project cost accounting. The system provides financial information at both detailed and summary levels in a multitude of easily understood formats to enable the user to evaluate and analyze the costs of operations. The phased implementation of POD began in fiscal year 1998 in two organizations. POD will be implemented enterprise wide in fiscal year 1999.

- The Procurement Desktop (PD) System – PD provides customer-friendly purchasing by supporting every phase of the Federal acquisition process. PD release 4.0 release takes advantage of technological advances to produce technical and functional enhancements that will greatly benefit the procurement process. Some of the items that will have high impact on the general user will be the capability of creating a "working copy" for all documents. In addition, users will be able to "drag and drop" multiple objects, as well as modify or cancel Blanket Purchase Agreement calls. PD's improved database model has minimized database redundancy and therefore reduces the amount of data that needs to be updated. PD 4.0 will be implemented in fiscal year 1999.
- Travel Manager System – The mission of Travel Manager is to automate PTO's travel process and to provide electronic storage of travel-related documents. The Travel Manager system is necessary for the PTO to improve its processing of travel orders, vouchers, and travel-related data. Travel Manager was implemented enterprise-wide in fiscal year 1998.
- The HyperABC System – During fiscal year 1997, in compliance with the Statement of Federal Financial Accounting Standards No. 4, *Managerial Cost Accounting Standards*, PTO implemented an activity-based cost/management system. Through the use of a COTS software tool, we have been able to collect and analyze, on an agency-wide basis, the costs associated with each process and service provided to internal and external customers. The cost accounting system was used to prepare a combined Operating Expenses footnote by major business line that was included in the fiscal year 1997 Annual Report as supplemental information. In addition, some unit costs were included in the overview to the annual report as measures of efficiency. Data from the cost accounting system was also used to prepare the fiscal year 1998 Statement of Net Cost and to provide information for performance measures that was included in the fiscal year 1998 overview. Principle activities for fiscal year 1999 include the following: performing activity-based budgeting and activity-based management and providing input for financial statements such as the Statement of Net Cost. The Cost Management Project will also work to improve internal controls, automate all manipulation of FFS data and the export of ABC results, as well as determine how ABC results can provide relevant information for matching fees to costs.
- The Data Warehouse System – The objective of the data warehouse is to provide meaningful information to PTO managers and staff for analysis and decision support. The warehouse will do this by making the data residing in legacy systems easily accessible to users and by architecting it in a manner that answers PTO's business questions. The Financial Subject Area (FSA) component of the Data Warehouse was fully implemented in fiscal year 1998. Also scheduled as an enhancement to the Data Warehouse is an upgrade to the current Executive

Information System (EIS). The EIS will enable executive, managerial, and analytical evaluation of our critical operational information via electronic means. In so doing, EIS customers will have a more comprehensive view of key indicators, a window to external information, as well as access to user-friendly, interactive, dynamic presentations delivered at their desktop workstations.

- The Office of Finance Imaging System (OFIS) – The Office of Finance routinely incurs more than \$250,000 in annual costs associated with the storage, retrieval, and reproduction of financial records. We implemented OFIS in fiscal year 1998 in an effort to significantly reduce these costs and enable us to eliminate the annual requirement for increased physical space to store documents.
- The Internet Purchasing Application (IPA) System -- The IPA system is scheduled to be implemented in fiscal year 1999. This system will radically alter the acquisition process by utilizing innovative technology to simplify and streamline the current process. This application empowers PTO to post acquisition information on the Web site and electronically collect responses from vendors in a more timely and cost efficient manner.
- The Commerce Administration Management System (CAMS) – This project provides an integrated financial management system, replacing the core Department of Commerce financial systems. CAMS will comply with relevant accounting and federal financial system standards.

For today and for the year 2000, our financial management organizations face a dramatically changing federal financial management environment. Most significant are changes to federal financial management reporting. The requirements of the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994, have resulted in the promulgation of a body of generally accepted federal financial accounting and reporting standards that impose numerous financial management requirements upon federal entities. Additionally, the Government Performance and Results Act of 1993 (GPRA) requires agencies to develop effective strategic plans and performance measures that demand more reliable financial information. To secure full compliance with these acts, the Office of Management and Budget (OMB) issued new financial reporting guidance in its OMB Bulletin 97-01, *Form and Content of Agency Financial Statements*, that changes the direction of federal financial reporting beginning with fiscal year 1998 and continuing through fiscal year 2000. In addition to OMB Bulletin 97-01, the Statement of Federal Financial Accounting Standards Number 4, *Managerial Cost Accounting Standards and Concepts in the Federal Government*, (SFFAS No. 4), the Federal Financial Management Improvement Act of 1996, and the Debt Collection Improvement Act of 1996 provide additional financial reporting requirements that must be met.

Procurement

The acquisition reform movement throughout the Government is especially strong at the PTO. We are convinced through our test cases that major process and cultural improvements have significant benefits and payoffs. Reform impacts three parts of our procurement operations.

New Contracting Process – In February 1995, the Department of Commerce tasked a business process reengineering team to develop a streamlined acquisition process. The team made an intensive study of existing processes, gathered information from internal and external customers, sought out best practices in the private and public sectors, and in December 1995 proposed a new, radically redesigned model or Concept of Operations (“Conops”) based on four themes: (1) dramatically streamlined processes, (2) empowered teams, (3) partnership with vendors, and (4) new uses of technology.

The key element is a change in acquisition philosophy that focuses on achieving mission objectives. The new approach replaces the previous method in which program offices submitted individual procurement request to contracting offices. The model utilizes multi-functional teams focused on executing specific mission objectives that implement bureau and the line office strategic plans. Team members work together to acquire the goods and services need to achieve these objectives.

In order to test key features, two pilot sites, including PTO, were chosen. The results showed significantly reduced cycle time and strong confidence among team members that the selected vendors provide the best value. In addition, management feels better procurement solutions result through the closer and earlier working relationships with industry.

Conops is successful and will become our standard way of conducting contract actions. As we proceed from the limited pilots to full implementation, we will take full advantage of its capabilities. These include greater use of technology and information resource tools, development of expert based systems to guide and assist customers and teams through the acquisition process, and the integration of the process with strategic planning and project management.

Enhanced Simplified Acquisitions – Another change brought on by acquisition reform is Electronic Commerce and the impact on simplified acquisition (what used to be known as Small Purchasing). The use of Electronic Commerce, and specifically Electronic Data Interchange, works. It is faster. Added competition does produce savings. We experienced a five- percent purchase price saving over traditional means of conducting procurements in some situations. This success prompted the future expansion. The new process takes advantage of the universal access, ease of use, and dependability of the Internet. As new procurement opportunities arise, we post them to a secure part of our Web site. An E-mail message alerts companies that are our proven suppliers of new postings. Offerors can promptly review opportunities and choose to participate by submitting their electronic quotation. Purchase order awards are made without further delay.

Professional Development – The new procurement professional must be a true business expert. Plans include training the work force to function in new roles in conducting procurements through teams, analytical skills, interpersonal communication techniques, facilitation tools, and customer service capabilities.

Information Technology Infrastructure - Enterprise Infrastructure

Information technology infrastructure encompasses all of the hardware, system and database software, communications, and related support services that are integral to all business and corporate operations. At the PTO, IT infrastructure includes the management of large and continually growing text and image databases, coupled with a requirement to process very large volumes of transactions to support application processing. We are focusing our efforts on merging our current infrastructure to a standards-based open system environment that will allow the addition of new products or infrastructure components or the replacement of existing ones as new technology enters the marketplace.

Our information technology infrastructure can be viewed in two parts: 1) business or function-specific infrastructure and 2) enterprise infrastructure.

Business or Function-Specific Infrastructure

Infrastructure activities that support a specific business or function are identified as directly supporting that business or function. These activities, and the funds necessary to support them, are recorded as operations and maintenance for a particular business/function, and estimated costs are reflected in each business section of this Corporate Plan. Examples of business or function-specific infrastructure activities are:

- operations and maintenance of the storage devices containing patent images
- operational support to the Trademark Work-at-Home Project
- engineering support for new PTDL expansion
- system acceptance testing for corporate systems
- contract management for patent-specific tasks or work
- acquisition of hardware for IDO systems

Enterprise Infrastructure

Our enterprise infrastructure consists of those activities that are not directly linked to a particular business or function, but rather benefit the entire PTO enterprise. Below are the specific activities included as part of the enterprise infrastructure. Additional information about these activities can be found in Chapter 5 of the *Strategic Information Technology Plan*.

System and Network Management consists of all:

- network management
- office automation server administration
- cabling and physical infrastructure management
- operation and maintenance of all enterprise systems/services
- internet/intranet operations
- backup and disaster recovery operations
- data center facilities management

Technical Support Services consists of all:

- help desk and software support operations
- workstation maintenance services
- desktop software license maintenance
- internet/intranet support services
- operational security services
- CIO customer information dissemination services

System Architecture and Engineering consists of all:

- IT architecture services
- non-system-specific engineering services
- engineering services related to the replacement of hardware components
- funds for adding or replacing enterprise servers and storage devices
- back-up and disaster recovery system/service support and hardware
- operation of the technology center/lab
- desktop configuration and testing services

- network engineering, expansion, upgrade, and replacement services
- system performance monitoring and capacity planning services
- infrastructure systems/services development and enhancement

Acquisition Management and Support consists of all:

- contract acquisition services
- contract management activities for non-system development and maintenance contracts

Data Management consists of all:

- database administration support
- data management services (enterprise information repository maintenance; data quality program; data modeling and standardization)
- records management activities
- data warehouse management

Information Technology Product Assurance consists of all:

- project management for infrastructure systems/services development and enhancement
- quality assurance for infrastructure systems/services development and enhancement
- requirements management for infrastructure systems/services development and enhancement
- system testing for infrastructure systems/services development and enhancement
- configuration management for infrastructure systems/services development and enhancement

As demonstrated above, the enterprise infrastructure provides critical, fundamental IT services. These services are then utilized by the various business and corporate-specific systems and capabilities. In fiscal year 1997, our Chief Information Officer (CIO) organization completed a preliminary disaster recovery analysis which indicated that by the year 2000, we would risk losing approximately \$4 million each day that IT systems were unavailable to our businesses. In this fiscal year 2000 plan, the enterprise infrastructure accounts for less than eight percent of the total PTO proposed operating budget.

Activities associated with the enterprise infrastructure are planned for and controlled by the CIO's organization in response to the requirements of the PTO's businesses and functions. Since the enterprise infrastructure benefits the entire PTO, decisions regarding the expansion, reduction, and/or redirection of activities within the area of enterprise infrastructure are made by the CIO. As such, performance measures associated with operating and maintaining the enterprise infrastructure are presented primarily from the system transaction perspective. Below are examples of the

performance measures associated with the enterprise infrastructure. Additional information about these performance measures can be found in Chapter 7 of the *Strategic Information Technology Plan*.

Patent Business Automated Information System (AIS) Performance

Text Search Activity

Process over 400,000 search transactions per month, on average

Provide a response time of less than 30 seconds for each transaction, on average

Image Search and Retrieval Activity

Process over 40,000 search transaction per month, on average

Provide a response time of less than 30 seconds

Patent Application Location Monitoring Activity

Process over 4.5 million transactions per month, on average

Provide a response time of 3 seconds or less for each transaction

Provide 99 percent system availability for all patent business AISs

Trademark Business AIS Performance

X-Search Search Activity

Process over 170,000 search transactions per month, on average

Provide a response time of less than 10 seconds for all search transactions, on average

Trademark Reporting and Monitoring Activity

Process over 1.5 million transactions per month, on average

Provide a response time of 3 seconds or less for each transaction, on average

Provide 99 percent system availability for all trademark business AISs

Information Dissemination Business AIS Performance

Certification Data Automated System Activity

Process over 250,000 transactions per month, on average

Provide a response time of less than 3 seconds per transaction, on average

Assignments Activity

Process over 85,000 transactions per month, on average

Provide a response time of less than 3 seconds per transaction, on average

Patent and Trademark Assignment System Activity

Process over 20,000 transactions per month, on average

Provide a response time of less than 33 seconds per transaction, on average

Order Entry Management System

Process over 140,000 transactions per month, on average

Provide a response time of less than 1 second per transaction, on average

Public Users Search System Activity

Process over 80,000 transactions per month, on average

Provide 99 percent system availability for all IDO business AISs

Corporate Function AIS Performance

Revenue Accounting and Management Activity

Process over 1 million transactions per month, on average

Provide a response time of less than 1 second per transaction, on average

Provide 99 percent system availability for all corporate function AISs

Enterprise Infrastructure AIS Performance

PTOnet - Outages

Reduce the amount of file server outages to 5 hours per month, on average

Reduce the amount of hub and switch outages to 10 hours per month, on average

Reduce the amount of gateway outages to 1 hour per month, on average

Desktop Services Management Activity

Receive over 4,500 computer hardware and software complaints through the help desk

Resolve over 4,500 computer hardware and software complaints

Reduce customer dissatisfaction to less than 10 percent of total problems resolved

Respond to all desktop workstation complaints within two hours, on average

In addition to meeting the performance measures identified above, objectives for fiscal year 2000 for improving the enterprise infrastructure are included in Table 16 on page 94. Additional information about these improvements can be found in the Executive Overview and Chapter 4 of the *Strategic Information Technology Plan*.

Funding Request

Our request in fiscal year 2000, an increase of \$4,506,000, will enable us to maintain and improve the enterprise infrastructure. A majority of the increase will fund expansion of the existing infrastructure to accommodate increasing workload on that infrastructure. The remainder will fund improvements in the way that infrastructure is managed and monitored.

To meet the needs of an expanding infrastructure, funds are needed to replace existing, obsolete office automation servers, application servers, production scanners, and high-speed printers used by patent examiners to obtain copies of patents from the electronic database. Through the replacement of this equipment, we will be able to keep our maintenance costs down and accommodate increasing workload through better performing equipment (i.e., more processing capability).

As mentioned above, the enterprise infrastructure includes the contract management activities for non-system development and maintenance contracts. Contract management includes the issuance of Program Management (PM) tasks which require senior contract managers to perform the following tasks: task order planning and processing, cost estimating and financial management, personnel recruiting and management, quality control, asset management, management of contract deliverables, contract expenditure information, cost accounting detail, and other contract management functions. Unlike smaller contracts, managers for these major contracts are dedicated to the PTO and their labor costs are billed directly to the PTO under the PM task order. Like the smaller contracts, each of these major contracts also provide for indirect support from corporate managers through general and administrative overhead rates. The PM task orders move PM managers and associated costs from G&A to direct labor, giving us more control and flexibility.

The increase is required to fund additional contractors working under these PM task orders. These additional contractors are necessary to handle the following increase in workload:

The volume of work handled by the Facilities Management/End User Support (FM/EUS) contractor has nearly tripled, and is expected to continue increasing as workload and, thereby, staffing levels increase. Help Desk calls increased from the estimated 150/day to as high as 700/day. The number of workstation deployments increased from the estimate of 50/week to 100/week, and may have to be further increased to 160/week to keep up with demand while reducing the current 12-week backlog. The number of task orders issued increased from six with about 100 contractors to 14 with over 200 contractors, creating a tremendous increase in work required under the FM/EUS program management task

order. Again, this increase is attributable to many factors, among them the replacement of over 6,000 workstations and the hiring of additional PTO employees.

The volume of work on task orders, especially the "level of effort" tasks issued to the System Engineering and Technical Assistance (SETA) contractor is increasing. The increase is attributable to expansion of the IT infrastructure in order to accommodate our higher staffing levels, increasing complexity of work, migration to more open systems, and replacement of legacy systems.

The volume of task orders and the volume of work on each task order issued has doubled. This increase is attributable to our Office-wide effort to improve its control of inventories of fixed asset. We expedited improvements to our inventory systems and operations in response to concerns identified by, and recommendations made by, the DOC Office of Inspector General.

Finally, in an effort to improve the process in which we manage and monitor the existing distributed enterprise infrastructure (PTOnet, databases, operating software, servers, storage devices, workstations, etc.), the Chief Information Officer (CIO) organization will require additional funds to begin implementation of an integrated monitoring capability. Currently, each piece of the infrastructure has its own capability for monitoring itself, however, employees are the first to experience problems when an entire system (comprised of these pieces) is not performing properly. By the time the employee recognizes the problem and notifies the CIO, an unacceptable length of time has passed during which productivity has been lost. Monitoring and managing a distributed infrastructure, and responding before an employee notices a problem, is a challenge faced by many other large IT organizations. Integration software is available which can link the various pieces of infrastructure together and provide significantly improved management and monitoring capability to CIO employees. As mentioned earlier, a recent disaster recovery study showed that we risk losing \$4 million dollars per day that IT systems are not available to our employees. As each business moves closer to an electronic workplace and more systems themselves are integrated, then monitoring the infrastructure in a proactive manner becomes increasingly more critical to meeting the performance measures listed earlier.

Improved infrastructure monitoring will ensure we adopt an enterprise view of managing critical components. The Enterprise Management System will provide a reliable central command and control point to ensure the availability, fault detection, and operability of our infrastructure components. This will replace a number of heterogeneous systems that are more difficult to manage and will result in greater availability and reliability for our businesses. With the funding requested in fiscal year 2000, the process to implement an Enterprise Management System can begin. It is expected that the system, with its improved monitoring and management capability, will be fully implemented in fiscal year 2003.

	<i>1998 Accomplishments</i>	<i>1999</i>	<i>2000</i>
RM - Financial Management: Financial Management Systems	<ul style="list-style-type: none"> • Systems met all JFMIP requirements. • Systems were SGL compliant at the transaction level. • Systems were year 2000 compliant. • All delinquent debt was transferred to Treasury. • 65% of vendor payments were made by EFT. • 97% of payroll were made by EFT. 	<ul style="list-style-type: none"> • Systems meet all JFMIP requirements. • Systems are SGL compliant at the transaction level. • Systems are year 2000 compliant. • All delinquent debt is transferred to Treasury. • 95% of vendor payments made by EFT. • 97% of payroll made by EFT. 	<ul style="list-style-type: none"> • Systems meet all JFMIP requirements. • Systems are SGL compliant at the transaction level. • Systems are year 2000 compliant. • All delinquent debt is transferred to Treasury. • 95% of vendor payments made by EFT. • 97% of payroll made by EFT.
RM - Financial Management: Financial Management Systems Initiatives	<ul style="list-style-type: none"> • Implement Program Office Desktop (POD) in Finance and Trademarks. • Implement FFS v 5.1.5 (Y2K compliant). • Implement Travel Manager to automate the travel voucher process. • Implement and maintain the Data Warehouse. Subject areas include financial and patent information. • Continue to enhance the Cost Accounting System. • Deploy the Office of Finance Imaging System (OFIS). 	<ul style="list-style-type: none"> • Implement Program Office Desktop (enterprise-wide). • Upgrade Procurement Desktop to v 4.0. • Implement the Fixed Assets Module. • Design the Travel Manager Interface with FFS. • Enhance the Office of Finance Imaging System to increase volume capacity. • Enhance RAM to incorporate electronic funds capability, patent maintenance fee capability, and subscription services. • Implement the web-enabled Executive Information System. • Continue to enhance the Cost Accounting System. • Implement the Internet Purchasing Application (IPA). 	<ul style="list-style-type: none"> • Upgrade Procurement Desktop to include web-based components. • Enhance the Data Warehouse to include Trademark information. • Continue the incremental deployment of the Cost Accounting System. • Enhance the Revenue and Accounting Management System. • Implement Commerce Corporate Data Warehouse System.
RM - Space 2000	<ul style="list-style-type: none"> • Completed a memorandum of understanding on project costs with GSA. • Conducted Phase II procurement negotiations. 	<ul style="list-style-type: none"> • Award lease in second quarter of fiscal year 1999. • Issue program of requirements. • Commence design and construction. • Complete furniture inventory in third quarter of fiscal year 1999. 	<ul style="list-style-type: none"> • Obligate sufficient funds within the planned budget to ensure project is on schedule. • Continue design and construction.

	<i>1998 Accomplishments</i>	<i>1999</i>	<i>2000</i>
Enterprise Infrastructure	<p>Integrated all PTO buildings into one state-of-the-art network with higher capacity.</p> <p>Increased capacity of the enterprise infrastructure through the addition of over 1,500 new IT customers.</p> <p>Created a Data Warehouse containing critical management information for the Patent Business and the Resource Management function.</p> <p>Improved performance of the Patent Business' search databases.</p> <p>Implemented an Enterprise Call Center for improved customer service on the Help Desk.</p> <p>Upgraded desktop and office automation capability for over 6,000 IT customers.</p> <p>Improved operational security and computer virus protection</p> <p>Implemented a Records Management Tracking System for facilitating and tracking the transfer of inactive paper records to the Federal Records center.</p>	<ul style="list-style-type: none"> • Provide a secure PTOnet. • Complete installation of alternate routing and provide redundancy for PTOnet. • Establish a pilot Electronic Mailroom. • Complete a <i>Y2K Business Contunity and Contingency Plan</i>. • Ensure all infrastructure components and applications are Y2K compliant. • Improve disaster-recovery capability by completing contingency plans for each major system. • Identify electronic records management requirements for all PTO business operations. • Upgrade PTOnet speed for select applications. • Standardize patent data elements. • Expand access to PTO information repository. • Add Patent Business data to the PTO's Data Warehouse and improve Executive Information System. • Pilot enterprise requirements management. • Pilot automated process for system acceptance testing. 	<ul style="list-style-type: none"> • Begin implementation of a program for routine replacement of office automation and application servers, high-speed printers, and production scanners • Complete transition to an open system standards-based architecture • Improve management of the PTO's physical information technology assets • Improve monitoring of the PTO's distributed IT environment • Eliminate one of the PTO's three mainframes • Institutionalize the Data Quality Program • Improve problem resolution for desktop services • Streamline approach to handling contract and task order management • Complete a data center archival and disaster recovery plan • Improve enterprise requirements management • Improve enterprise configuration management • Implement an automated process for system acceptance testing

DEPARTMENT OF COMMERCE

Patent and Trademark Office

Salaries and Expenses

ADJUSTMENTS TO BASE

(Dollar amounts in thousands)

Exhibit 8

	<u>Positions</u>	<u>FTE</u>	<u>Amount</u>
OTHER COST CHANGES			
1999 Pay Raise			4,170
2000 Pay Raise			13,139
Full-year cost in 2000 for positions financed for part-year in 1999	0	334	13,291 ¹
Within-grade step increases			4,447
Civil Service Retirement System (CSRS)			(656)
Federal Employees Retirement System (FERS)			825
Thrift Savings Plan			154
Federal Insurance Contribution Act (FICA) - OASDI			500
Health insurance			1,257
Employee Compensation Fund			(112)
Rental payments to GSA			1,446
Federal Telecommunications Systems			160
Postage			107
Printing and reproduction			1,064
Other Services:			
Working Capital Fund			4,785
National Archives and Records Administration (NARA) storage costs			513
General Pricing Level Adjustment			2,504
Subtotal, other cost changes	<u>0</u>	<u>334</u>	<u>47,594</u>
Less ATB's Absorbed	<u>0</u>	<u>0</u>	<u>(26,098)</u>
TOTAL ADJUSTMENTS TO BASE	<u>0</u>	<u>334</u>	<u>21,496</u>

¹ Some costs associated with the 334 FTE base adjustment have been absorbed within the base as shown above.

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JUSTIFICATION OF ADJUSTMENTS TO BASE
(Dollar amounts in thousands)

	<u>FTE</u>	<u>Amount</u>
1999 Pay Raise	0	4,170
Full Year of 1999 pay increase and related costs		
A pay raise of 3.6% is to be effective January 1, 1999.		
Total cost in 2000 of 1999 pay increase.....	12,254,000	
Less amount funded in 1999.....	-8,084,000	
Less amount absorbed.....	0	
Amount requested in 2000 to provide full-year cost of 1999 pay increase.....	4,170,000	
Total cost of Working Capital Find increase.....	0	
Less amount funded in 1999.....	0	
Total, adjustment for 1999 pay increase.....	4,170,000	
2000 Pay Raise	0	13,139
A general pay raise of 4.4% is assumed to be effective January 1, 2000.		
Total cost in 2000 of pay increase.....	13,077,000	
Less amount absorbed in FY 2000.....	0	
Amount requested for 2000 pay increase.....	13,077,000	
Payment to Working Capital Fund.....	62,000	
Total, adjustment for 2000 pay increase.....	13,139,000	

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(Dollar amounts in thousands)

	<u>FTE</u>	<u>Amount</u>
Full-year cost in 2000 of positions financed for part-year in 1999	334	13,291
<p>An increase of \$13,290,863 is required to fund the full-year cost in 2000 of positions financed for part-year in 1999. The computation follows:</p>		
Annual salary of new positions in 1999.....	1,106	32,190,914
1999 Pay Raise.....	0	1,158,873
Less 5 percent lapse.....	-55	-1,667,489
Full-year cost of personnel compensation.....	1,051	31,682,298
Less personnel compensation in 1999.....	-717	-21,482,912
Cost of personnel compensation in 2000.....	334	10,199,386
Adjustment for 2000 pay raise (.030 x .75 x \$10,046,478).....	0	336,580
Amount required for personnel compensation.....	0	10,535,966
Benefits.....	0	2,754,897
Total adjustment-to-base.....	334	13,290,863
Within-grade step increases	0	4,447
<p>An increase of \$4,447,480 is required to cover the cost of within-grade step increases. This estimate reflects the net cost of step increases including merit pay increases which will be earned in 2000.</p>		
Estimated number of within-grade step increases.....	3,219	
Step increases not earned due to turnover (9.7% x 3,219).....	312	
Average step above step 1 per separation.....	3	
Average cost per within-grade step increase.....	1,659	
Gross cost of scheduled step increase (\$1,659 x 3,219).....	5,340,321	
Less savings due to separations (\$1,659 x 312 x 3).....	-1,552,824	
Subtotal, personnel compensation.....	3,787,497	
Benefits.....	659,983	
Total adjustment-to-base.....	4,447,480	

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(Dollar amounts in thousands)

	<u>FTE</u>	<u>Amount</u>
Civil Service Retirement System (CSRS)	0	(656)
<p>The number of employees covered by the Civil Service Retirement System (CSRS) continues to drop as positions become vacant and are filled by employees who are covered by the Federal Employees Retirement System (FERS). The estimated percentage of payroll for employees covered by CSRS will drop from 31.7% in 1999 to 29.4% in 2000 for regular employees. The contribution rate of 8.51% remained the same from FY 1999 to FY 2000.</p>		
Regular:		
2000 \$335,171,000 x .294 x .0851.....	8,385,777	
1999 \$335,171,000 x .317 x .0851.....	-9,041,808	
Total adjustment-to-base.....		-656,031
Federal Employees Retirement System (FERS)	0	825
<p>The number of employees covered by FERS continues to rise as employees covered by CSRS leave and are replaced by employees covered by FERS. The estimated percentage of payroll for employees covered by FERS will rise from 68.3% in 1999 to 70.6% in 2000 for regular employees. The contribution rate of 10.7% will remain the same from FY 1999 to FY 2000 for regular employees.</p>		
Regular:		
2000 \$335,171,000 x .706 x .107.....	25,319,488	
1999 \$335,171,000 x .683 x .107.....	-24,494,632	
Total adjustment-to-base.....		824,856

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	<u>FTE</u>	<u>Amount</u>
<u>Thrift Savings Plan (TSP)</u>	0	154
<p>The cost of agency contributions to the Thrift Savings Plan will also rise as FERS participation increases. The contribution rate is expected to remain 2%.</p>		
Regular:		
2000 \$335,171,000 x .706 x .02.....		4,732,615
1999 \$335,171,000 x .683 x .02.....		-4,578,436
Total adjustment-to-base.....		154,179
<u>Federal Insurance Contribution Act (FICA)</u>	0	500
<p>As the percentage of payroll covered by FERS rises, the cost of OASDI contributions will increase. In addition, the maximum salary subject to OASDI will rise from \$70,725 in 1999 to \$73,275 in 2000. The OASDI tax rate will remain 6.2% in 2000.</p>		
Regular:		
2000 \$335,171,000 x .706 x .984 x .062.....		14,436,367
1999 \$335,171,000 x .683 x .984 x .062.....		-13,966,061
Subtotal.....		470,306
Other:		
2000 \$21,345,442 x .706 x .984 x .062.....		919,383
1999 \$21,345,442 x .683 x .984 x .062.....		-889,432
Subtotal.....		29,951
Total adjustment-to-base.....		500,257

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	<u>FTE</u>	<u>Amount</u>
Health Insurance	0	1,257
<p>Effective January 1997, PTO's contribution to Federal employees' health insurance premiums increased by 7.3%. Applied against the 1999 estimate of \$17,223,000 the amount of increase \$1,257,279.</p>		
Employees' Compensation Fund	0	(112)
<p>The Employees' Compensation Fund bill for the year ending June 30, 2000, is \$111,552 less than the bill for the year ending June 30, 1999. The charges will be reimbursed to the Department of Labor pursuant to 5 U.S.C. 8147.</p>		
Rental Payments to GSA	0	1,446
<p>GSA rates are projected to increase 2.6% in 2000. This percentage was applied to the 1999 estimate of \$55,597,000 to arrive at an increase of \$1,445,522.</p>		
Federal Telecommunications Systems	0	160
<p>Effective January 1, 1998, the Office of Systems and Telecommunications Management projected a surcharge of 4.9% for FTS2000 to cover the costs of providing universal service. This percentage was applied to the 1999 estimate of \$3,258,000 to arrive at an increase of \$159,642.</p>		
Postage	0	107
<p>Effective January 1, 1999, the Postal Service implemented a rate increase of 3.0%. This percentage was applied to the 1999 estimate of \$3,570,000 to arrive at an increase of \$107,100.</p>		

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	<u>FTE</u>	<u>Amount</u>
<u>GPO Printing</u>	0	1,064
GPO has provided an estimated rate increase of 3.1%. This percentage was applied as follows.		
Other GPO Printing: The percentage was applied to the 1999 estimate of \$3,305,000 to arrive at an increase of \$102,455.....	102,455	
Trademark GPO Printing: The percentage was applied to the 1999 estimate of \$2,056,000 to arrive at an increase of \$63,736.....	63,736	
Patent GPO Printing: The percentage was applied to the 1999 estimate of \$28,971,000 to arrive at an increase of \$898,101.....	898,101	
Total GPO Printing adjustments-to-base.....	1,064,292	
<u>Working Capital Fund</u>	0	4,785
An additional \$4,785,000 is required to fund cost increases in the Department Working Capital Fund to maintain the current level of operations.		
<u>National Archives and Records Administration (NARA) storage costs</u>	0	513
In FY 2000, NARA will begin billing agencies for records storage and maintenance costs. The estimate for PTO is \$513,000.		

DEPARTMENT OF COMMERCE
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(Dollar amounts in thousands)

	<u>FTE</u>	<u>Amount</u>
General Pricing Level Adjustment	0	2,504
<p>This request applies OMB economic assumptions for 1999 to subobject classes where the prices that the Government pays are established through the market system. Factors are applied to transportation of things (\$3,950); rental payments to others (\$5,040); communications, utilities, miscellaneous charges (excluding postage and FTS) (\$71,620); other services (\$1,939,240); supplies and materials (\$141,790); and equipment (\$342,600).</p>		
SubTotal	334	47,594
Less Adjustment-to-base amount absorbed	0	(26,098)
Total	334	21,496

DEPARTMENT OF COMMERCE
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SUMMARY OF REQUIREMENTS BY OBJECT CLASS
PERSONNEL DETAIL

Object Class	Object Class Title:	FY 1998 Actual	FY 1999 Currently Available	FY 2000 Adjust. To Base	FY 2000 Base	FY 2000 Budget Estimate	FY 2000 Increase (Decrease)
	<u>Full-Time Equivalent Employment:</u>						
	Full-Time Permanent.....	5,188	6,268	334	6,602	6,711	109
	Other Than Full-Time Permanent.....	112	90	0	90	90	0
	Total Full-Time Equivalent Employment.....	5,300	6,358	334	6,692	6,801	109
	 <u>Authorized Positions:</u>						
	Full-Time Permanent.....	5,889	7,061	0	7,061	7,289	228
	Other Than Full-Time Permanent.....	119	119	0	119	119	0
	Total Authorized Positions.....	6,008	7,180	0	7,180	7,408	228

DEPARTMENT OF COMMERCE

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Salaries and Expenses

SUMMARY OF REQUIREMENTS BY OBJECT CLASS

(Dollar amounts in thousands)

Exhibit 16

Object Class	Object Class Title:	FY 1998 Actual	FY 1999 Currently Available	FY 2000 Adjust. To Base	FY 2000 Base	FY 2000 Budget Estimate	FY 2000 Increase (Decrease)
	<u>Personnel Compensation:</u>						
11.1	Full-Time Permanent Compensation.....	281,382	332,673	29,150	361,823	377,737	15,914
11.3	Other Than Full-Time Permanent Compensation.....	5,946	4,996	254	5,250	5,296	46
11.5	Other Personnel Compensation.....	25,571	18,939	0	18,939	24,791	5,852
	Total Personnel Compensation.....	312,899	356,608	29,404	386,012	407,824	21,812
12.0	Personnel Benefits.....	66,914	77,608	4,023	81,631	101,672	20,041 /1
13.0	Benefits for Former Personnel.....	63	140	0	140	140	0
21.0	Travel and Transportation of Persons.....	2,363	1,241	637	1,878	1,878	0
22.0	Transportation of Things.....	842	395	55	450	450	0
23.1	Rental Payments to GSA.....	42,483	60,597	(3,554)	57,043	57,043	0 /2
23.2	Rental Payments to Others.....	759	504	13	517	517	0
23.3	Communications, Utilities, and Misc. Charges.....	5,288	13,990	180	14,170	14,170	0
24.0	Printing and Reproduction.....	50,739	35,131	0	35,131	49,466	14,335
25.1	Advisory and Assistance Services.....	4,514	1,238	51	1,289	1,289	0
25.2	Other Services.....	130,761	204,289	(32,372)	160,617	209,378	48,761 /2
25.3	Purchase of Goods and Services from Gov't Accounts.....	18,106	6,425	20,000	26,425	26,425	0 /2
26.0	Supplies and Materials.....	9,553	14,179	1,567	15,746	15,746	0
31.0	Equipment.....	57,310	34,260	1,492	35,752	35,752	0
32.0	Lands and Structures.....	0	0	0	0	0	0
33.0	Investments and Loans.....	0	0	0	0	0	0
41.0	Grants, Subsidies and Contributions.....	0	0	0	0	0	0
42.0	Insurance Claims and Indemnities.....	27	300	0	300	300	0
43.0	Interest and Dividends.....	0	0	0	0	0	0
44.0	Refunds.....	0	0	0	0	0	0
	Total Obligations.....	702,621	806,905	21,496	817,101	922,050	104,949
	Less: Financing from Offsetting Collections.....	675,621	860,800	21,496	817,101	965,741	148,640
	Less: Offsetting Collections (unavailable balances).....	0	108,316	0	0	115,774	115,774
	Less: Portion not Available for Obligation (limitation on obligation).....	0	(115,774)	0	0	(159,765)	(159,765)
	Less: Prior Year Unobligated Balance Brought Forward.....	0	13,263	0	0	0	0
	Less: Estimated Recoveries of Prior Year Obligations/Fed Reim..	0	11,300	0	0	300	300
	Financing/(Rescission) from Direct Appropriated Funds.....	27,000	(71,000)	0	0	0	0
	Plus: Prior Year Offsetting Collections.....	0	108,316	0	0	115,774	115,774
	Total Appropriation.....	27,000	37,316	0	0	115,774	115,774
	Plus: Change in Offsetting Collections (unavailable balances).....	(108,316)	(115,774)	0	0	(159,765)	(159,765)
	Total Budget Authority.....	(81,316)	(78,458)	0	0	(43,991)	(43,991)

/1 \$20,041 will be transferred to the Office of Personnel Management (OPM) to pay for PTO employees' post-retirement health and life insurance.

/2 Reclassification of object class for space requirements (\$5,000 from 23.1 and \$15,000 from 25.2 moved to 25.3 total change \$20,000).

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DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	Object Class Title:	FY 1998 Actual	FY 1999 Currently Available	FY 2000 Adjust. To Base	FY 2000 Base	FY 2000 Budget Estimate	FY 2000 Increase (Decrease)
11	Personnel Compensation:						
11.1	<u>Full-Time Permanent Positions:</u>						
	Executive Level.....	488	537	27	564	564	0
	Senior Executive Service.....	5,408	5,950	298	6,248	6,248	0
	General Schedule.....	268,297	317,959	28,414	346,373	362,287	15,914
	Wage Board.....	282	310	15	325	325	0
	Patent Appeals Examiners (P.L. 82-593).....	5,770	6,348	317	6,665	6,665	0
	Trademark Appeals Examiners (P.L. 98-622).....	1,137	1,569	79	1,648	1,648	0
	Total, Full-Time Permanent Positions.....	281,382	332,673	29,150	361,823	377,737	15,914
11.3	<u>Positions Other Than Full-Time Permanent:</u>						
	General Schedule.....	5,814	4,885	248	5,133	5,179	46
	Wage Board.....	72	60	3	63	63	0
	Intermittent.....	60	51	3	54	54	0
	Total, Positions Other Than FT Permanent.....	5,946	4,996	254	5,250	5,296	46
11.5	<u>Other Personnel Compensation:</u>						
	Overtime.....	15,006	9,299	0	9,299	13,776	4,477
	Night Differential - Premium Pay.....	37	314	0	314	314	0
	Awards.....	10,528	9,326	0	9,326	10,701	1,375
	Total, Other Personnel Compensation.....	25,571	18,939	0	18,939	24,791	5,852
11.9	Total Personnel Compensation.....	312,899	356,608	29,404	386,012	407,824	21,812

DEPARTMENT OF COMMERCE
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Salaries and Expenses
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Exhibit 17

Object Class	Object Class Title:	FY 1998 Actual	FY 1999 Currently Available	FY 2000 Adjust. To Base	FY 2000 Base	FY 2000 Budget Estimate	FY 2000 Increase (Decrease)
12.0	<u>Civilian Personnel Benefits:</u>						
	Civil Service Retirement.....	8,364	7,232	(758)	6,474	6,474	0
	Federal Employee Retirement System (FERS).....	19,938	25,870	3,198	29,068	49,109	20,041 /1
	Contribution to the Civil Service Ret. and Disability Fund.....	422	0	0	0	0	0
	Thrift Plan Contributions.....	7,308	5,488	37	5,525	5,525	0
	Federal Insurance Contributions Act (FICA).....	12,275	15,727	(130)	15,597	15,597	0
	Medicare.....	4,544	4,921	144	5,065	5,065	0
	Health Insurance.....	12,485	17,223	1,589	18,812	18,812	0
	Life Insurance.....	516	517	55	572	572	0
	Recruitment Allowance.....	1,062	0	0	0	0	0
	Employees Compensation Fund.....	0	630	(112)	518	518	0
	Total, Civilian Personnel Benefits.....	66,914	77,608	4,023	81,631	101,672	20,041
13.0	Benefits for Former Personnel.....	63	140	0	140	140	0
21.0	<u>Travel and Transportation of Persons:</u>						
	Transportation - Domestic.....	499	468	240	708	708	0
	Transportation - International.....	369	235	121	356	356	0
	Local Transportation.....	650	16	8	24	24	0
	Relocation Travel.....	295	0	0	0	0	0
	Per Diem Allowances.....	478	430	221	651	651	0
	Rental Car Expenses.....	17	22	11	33	33	0
	Privately-Owned Automobiles.....	0	8	4	12	12	0
	Rental of GSA Vehicles.....	55	62	32	94	94	0
	Total, Travel and Transportation of Persons.....	2,363	1,241	637	1,878	1,878	0
22.0	<u>Transportation of Things:</u>						
	Freight-Out.....	35	6	1	7	7	0
	Freight-In.....	0	8	1	9	9	0
	Parcel Post.....	638	344	48	392	392	0
	Other.....	169	37	5	42	42	0
	Total, Transportation of Things.....	842	395	55	450	450	0

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DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	Object Class Title:	FY 1998 Actual	FY 1999 Currently Available	FY 2000 Adjust. To Base	FY 2000 Base	FY 2000 Budget Estimate	FY 2000 Increase (Decrease)
23.1	Rental Payments to GSA.....	42,483	60,597	(3,554)	57,043	57,043	0 /2
23.2	Rental Payments to Others.....	759	504	13	517	517	0
23.3	<u>Communications, Utilities, and Misc. Charges:</u>						
	Rental of ADP Equipment.....	0	728	9	737	737	0
	Rental of Office Copying Equipment.....	90	106	2	108	108	0
	Other Equipment Rental.....	42	501	6	507	507	0
	Federal Telecommunications Systems.....	0	3,258	42	3,300	3,300	0
	Other Telecommunications Systems.....	3,439	3,749	48	3,797	3,797	0
	Postal Services by USPS.....	1,378	3,570	46	3,616	3,616	0
	Utilities Services.....	339	2,078	27	2,105	2,105	0
	Total, Comm, Utilities, and Misc. Charges.....	5,288	13,990	180	14,170	14,170	0
24.0	<u>Printing and Reproduction:</u>						
	Patent Printing.....	44,346	28,971	0	28,971	42,971	14,000
	Trademark Printing.....	1,998	2,056	0	2,056	2,056	0
	General Printing.....	1,886	908	0	908	1,243	335
	Publications.....	638	567	0	567	567	0
	Internal Use Forms.....	70	799	0	799	799	0
	Other Printing.....	1,801	1,830	0	1,830	1,830	0
	Total, Printing and Reproduction.....	50,739	35,131	0	35,131	49,466	14,335

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DETAILED REQUIREMENTS BY OBJECT CLASS
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Object Class	Object Class Title:	FY 1998 Actual	FY 1999 Currently Available	FY 2000 Adjust. To Base	FY 2000 Base	FY 2000 Budget Estimate	FY 2000 Increase (Decrease)
25.1	Advisory and Assistance Services:						
	Management & Professional Support Services.....	4,514	1,238	51	1,289	1,289	0
	Studies, Analyses, & Evaluation.....	0	0	0	0	0	0
	Engineering & Technical Services.....	0	0	0	0	0	0
	Subtotal.....	4,514	1,238	51	1,289	1,289	0
25.2	Other Services:						
	Training:						
	University.....	2,262	2,979	0	2,979	3,729	750
	Other.....	3,475	5,757	0	5,757	6,232	475
	Maintenance of Equipment.....	13,019	13,358	0	13,358	13,858	500
	GSA Alterations and Repairs.....	4,225	2,188	0	2,188	2,188	0
	ADP Operations.....	55,789	62,863	0	51,563	62,863	11,300
	Telecommunications Services.....	4,697	4,792	0	4,792	4,792	0
	Guard Services.....	478	723	0	723	723	0
	CAMS Bureau Specific.....	0	0	0	0	0	0
	Other Contracts.....	46,816	111,629	(32,372)	79,257	114,993	35,736 /2
	Subtotal.....	130,761	204,289	(32,372)	160,617	209,378	48,761
25.3	Purchase of Goods and Services from Gov't Accounts:						
	Office of Personnel Management Training.....	0	126	(126)	0	0	0
	GSA Services.....	10,084	0	14,828	14,828	14,828	0 /2
	National Archives and Records Administration (NARA).....	0	0	513	513	513	0
	Payment to GA, WCF (CAMS Bureau Shared).....	0	1,385	0	1,385	1,385	0
	Payment to GA, WCF.....	8,022	4,914	4,785	9,699	9,699	0
	Subtotal.....	18,106	6,425	20,000	26,425	26,425	0

DEPARTMENT OF COMMERCE
Patent and Trademark Office
Salaries and Expenses
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	Object Class Title:	FY 1998 Actual	FY 1999 Currently Available	FY 2000 Adjust. To Base	FY 2000 Base	FY 2000 Budget Estimate	FY 2000 Increase (Decrease)
26.0	<u>Supplies and Materials:</u>						
	Office Supplies.....	1,278	1,438	160	1,598	1,598	0
	ADP Supplies.....	425	2,522	0	2,522	2,522	0
	Microfilm Supplies.....	0	1,516	145	1,661	1,661	0
	Other Supplies.....	2,270	1,296	444	1,740	1,740	0
	Books and Periodicals.....	4,900	6,517	720	7,237	7,237	0
	Paper for Office Copying Equipment.....	680	890	98	988	988	0
	Total, Supplies and Materials.....	9,553	14,179	1,567	15,746	15,746	0
31.0	<u>Equipment:</u>						
	Office Machines and Equipment (Capitalized).....	0	0	0	0	0	0
	Office Machines and Equipment (Non-Capitalized).....	2,760	1,610	66	1,676	1,676	0
	APS Equipment (Capitalized).....	42	244	385	629	629	0
	APS Equipment (Non-Capitalized).....	315	132	6	138	138	0
	ADP Equipment (Capitalized).....	31,806	21,919	583	22,502	22,502	0
	ADP Equipment (Non-Capitalized).....	2,212	930	41	971	971	0
	ADP Software (Capitalized).....	8,420	4,378	191	4,569	4,569	0
	ADP Software (Non-Capitalized).....	0	0	0	0	0	0
	ADP Software (Expensed).....	856	360	16	376	376	0
	Furniture and Fixtures (Capitalized).....	5,683	2,451	107	2,558	2,558	0
	Furniture and Fixtures (Non-Capitalized).....	770	324	14	338	338	0
	Office Furniture and Equipment (Capitalized).....	3,582	1,549	67	1,616	1,616	0
	Office Furniture and Equipment (Non-Capitalized).....	864	363	16	379	379	0
	Total, Equipment.....	57,310	34,260	1,492	35,752	35,752	0
42.0	Insurance Claims and Indemnities.....	27	300	0	300	300	0
43.0	Interest and Dividends.....	0	0	0	0	0	0
	Total Obligations.....	702,621	806,905	21,496	817,101	922,050	104,949

/1 \$20,041 will be transferred to the Office of Personnel Management (OPM) to pay for PTO employees' post-retirement health and life insurance.

/2 Reclassification of object class for space requirements (\$5,000 from 23.1 and \$15,000 from 25.2 moved to 25.3 total change \$20,000).

Department of Commerce
 Patent and Trademark Office
Salaries and Expenses
ACTIVITY / SUBACTIVITY CHANGE CROSSWALK
Part 1 - 1999 Structure
 (Dollar amounts in thousands)

Activity / Subactivity:	2000 Direct Obligations	Proposed Changes
Patent Process:		
Patent Examination	570,632	Merge into Patents Core Business
Patent Automation	111,398	Track as Information Technology Operations and allocate to Patents, Trademarks, Information Dissemination and Policy according to activity-based cost accounting.
Subtotal - Patent Process	682,030	
Trademark Process:		
Trademark Examination	80,026	Merge into Trademarks Core Business
Trademark Automation	16,378	Track as Information Technology Operations and allocate to Patents, Trademarks, Information Dissemination and Policy according to activity-based cost accounting.
Subtotal - Trademark Process	96,404	
Information Dissemination:		
Information Dissemination	39,916	Merge into Information Dissemination Core Business
Information Resources Management	28,337	Track as Information Technology Operations and allocate to Patents, Trademarks, Information Dissemination and Policy according to activity-based cost accounting.
Subtotal - Information Dissemination	68,253	
Executive Direction and Administration:		
Policy	13,600	No Change
Resource Management	41,722	Track as Resource Management and allocate to Patents, Trademarks, Information Dissemination and Policy according to activity-based cost accounting.
Subtotal - Executive Direction and Administration	55,322	
Internal Transfer to OPM	20,041	
Total Direct Obligations	922,050	

Department of Commerce
 Patent and Trademark Office
Salaries and Expenses
ACTIVITY / SUBACTIVITY CHANGE CROSSWALK
Part 2 - 2000 Structure
 (Dollar amounts in thousands)

<u>Activity / Subactivity:</u>	<u>1997 Direct Obligations /1</u>	<u>1998 Direct Obligations</u>	<u>1999 Direct Obligations</u>	<u>2000 Direct Obligations</u>
<u>Core Business Areas:</u>				
Patents	567,915	557,420	634,497	713,451
Trademarks	81,947	84,612	99,416	109,312
Information Dissemination	51,050	44,972	53,510	57,336
Subtotal - Core Business Areas	700,912	687,004	787,423	880,099
 Policy	 15,148	 15,617	 19,482	 21,910
Subtotal Direct Obligations	716,060	702,621	806,905	902,009
 Internal Transfer to OPM	 0	 0	 0	 20,041
Total Direct Obligations	716,060	702,621	806,905	922,050

/1 The PTO is using an activity-based cost accounting model for allocating administrative and IT infrastructure costs.
 The model uses FY 1997 actual obligations as the base for the allocation of activity costs.
 Therefore, the crosswalk to the new budget structure can only be presented at BY -3 versus BY -4.

DEPARTMENT OF COMMERCE
 Patent and Trademark Office
 Salaries and Expenses
ADVISORY AND ASSISTANCE SERVICES
 (Dollar amounts in thousands)

	1998 Actual	1999 Currently Available	2000 Estimate
Management and Professional Support Services.....	\$4,514	\$1,238	\$1,289
Studies, Analyses and Evaluations.....	0	0	0
Engineering and Technical Services.....	0	0	0
TOTAL.....	\$4,514	\$1,238	\$1,289
Memorandum (non-add) entry:			
Amounts included in the categories			
listed above for R&D activities.....	\$0	\$0	\$0

DEPARTMENT OF COMMERCE
 Patent and Trademark Office
 Salaries and Expenses
PERIODICALS, PAMPHLETS AND AUDIOVISUAL PRODUCTS
 (Dollar amounts in thousands)

	1998 Actual	1999 Currently Available	2000 Estimate
Periodicals.....	\$26	\$28	\$33
Pamphlets.....	\$33	\$37	\$39
Audiovisuals.....	\$10	\$12	\$15
Total.....	\$69	\$77	\$87

Narrative Statement

Technical literature documents in the form of periodicals and pamphlets are essential in the patent and trademark examination process. The printing costs are reflected above. The requirement for technical literature documents is directly proportional to the workload and resultant production in patent and trademark activities. The use of audiovisuals is primarily for PTO's National Inventors Day program.

DEPARTMENT OF COMMERCE
Patent and Trademark Office
Salaries and Expenses
AVERAGE GRADE AND SALARY

	1998 Actual	1999 Currently Available	2000 Estimate
Average ES salary	\$118,706	\$125,764	\$129,537
Average GS grade	10.61	10.15	10.13
Average GS salary	\$52,272	\$49,475	\$55,708

**U. S. DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE
CONSOLIDATED BALANCE SHEETS**
(Dollars in Thousands)

ASSETS	Actual FY 1998	Estimate FY 1999	Estimate FY 2000
Entity Assets:			
Intragovernmental Assets:			
Fund Balance with Treasury	\$ 648,033	\$ 586,327	\$ 603,789
Accounts Receivable	2,353	1,765	1,324
Advances and Prepayments	1,463	1,000	1,000
Governmental Assets:			
Accounts Receivable	370	352	334
Cash	15,980	9,594	9,594
Property and Equipment, Net	115,159	140,314	155,798
Total Entity Assets	783,358	739,353	771,839
Non-Entity Assets:			
Intragovernmental Assets			
Fund Balance with Treasury	46,921	50,859	55,181
Total Non-Entity Assets	46,921	50,859	55,181
Total Assets	\$ 830,279	\$ 790,211	\$ 827,020

**U. S. DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE
CONSOLIDATED BALANCE SHEETS**

(Dollars in Thousands)

LIABILITIES	Actual	Estimate	Estimate
	FY 1998	FY 1999	FY 2000
Liabilities Covered by Budgetary Resources:			
Intragovernmental Liabilities:			
Accounts Payable	\$ 4,569	\$ 5,247	\$ 5,865
Accrued Payroll and Benefits	2,745	2,892	3,233
Accrued Postemployment Compensation	889	900	900
Customer Deposit Accounts	1,497	1,347	1,213
Other Liability Due to Treasury (Note 3)	-	-	-
Governmental Liabilities:			
Accounts Payable	50,800	58,336	65,211
Accrued Payroll and Benefits	26,497	29,242	32,688
Accrued Leave	20,352	22,953	25,658
Customer Deposit Accounts	45,424	49,512	53,968
Deferred Revenues (Note 6)	307,131	285,137	318,712
Actuarial Liability (Note 5)	3,797	3,900	3,900
Total Liabilities	463,701	459,467	511,348
NET POSITION			
Cumulative Results of Operations	133,049	97,215	82,142
Revenue Withheld	233,529	233,529	233,529
Total Net Position	366,578	330,744	315,671
Total Liabilities and Net Position	\$ 830,279	\$ 790,211	\$ 827,019

**U. S. DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE
CONSOLIDATING STATEMENT OF NET COST**
(Dollars in Thousands)

ACTUAL - FY 1998					
	PATENTS	TRADEMARKS	INFORMATION DISSEMINATION	POLICY	TOTAL PTO
Steward of Intellectual Property					
For the Public	\$ 597,134	\$ 86,653	\$ -	\$ -	\$ 683,787
Earned Revenues	(691,293)	(78,443)	-	-	(769,736)
Net Program Costs	(94,159)	8,210	-	-	(85,949)
Provide Economic Information					
For the Public	-	-	50,521	-	50,521
Earned Revenues	-	-	(30,441)	-	(30,441)
Net Program Costs	-	-	20,080	-	20,080
Promote Global Competitiveness					
For the Public				16,276	16,276
Earned Revenues	-	-	-	-	-
Net Program Costs	-	-	-	16,276	16,276
Net (Income)/Cost from Operations	\$ (94,159)	\$ 8,210	\$ 20,080	\$ 16,276	\$ (49,593)

U. S. DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE
CONSOLIDATING STATEMENT OF NET COST
(Dollars in Thousands)

ESTIMATE - FY 1999					
	PATENTS	TRADEMARKS	INFORMATION DISSEMINATION	POLICY	TOTAL PTO
Steward of Intellectual Property					
For the Public	\$ 680,443	\$ 101,610	\$ -	\$ -	\$ 782,053
Earned Revenues	(749,697)	(89,733)	-	-	(839,430)
Net Program Costs	(69,255)	11,877	-	-	(57,377)
Provide Economic Information					
For the Public	-	-	59,988	-	59,988
Earned Revenues	-	-	(36,274)	-	(36,274)
Net Program Costs	-	-	23,714	-	23,714
Promote Global Competitiveness					
For the Public				20,152	20,152
Earned Revenues	-	-	-	(1,655)	(1,655)
Net Program Costs	-	-	-	18,497	18,497
Net (Income)/Cost from Operations	\$ (69,255)	\$ 11,877	\$ 23,714	\$ 18,497	\$ (15,166)

**U. S. DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE
CONSOLIDATING STATEMENT OF NET COST**
(Dollars in Thousands)

ESTIMATE - FY 2000					
	PATENTS	TRADEMARKS	INFORMATION DISSEMINATION	POLICY	TOTAL PTO
Steward of Intellectual Property					
For the Public	\$ 767,932	\$ 112,452	\$ -	\$ -	\$ 880,384
Earned Revenues	(799,112)	(94,148)	-	-	(893,260)
Net Program Costs	(31,180)	18,304	-	-	(12,876)
Provide Economic Information					
For the Public	-	-	65,058	-	65,058
Earned Revenues	-	-	(38,186)	-	(38,186)
Net Program Costs	-	-	26,872	-	26,872
Promote Global Competitiveness					
For the Public				22,729	22,729
Earned Revenues	-	-	-	(1,651)	(1,651)
Net Program Costs	-	-	-	21,078	21,078
Net (Income)/Cost from Operations	\$ (31,180)	\$ 18,304	\$ 26,872	\$ 21,078	\$ 35,073

U. S. DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
(Dollars in Thousands)

	Actual FY 1998	Estimate FY 1999	Estimate FY 2000
Net Income/(Cost) from Operations	\$ 49,593	\$ 15,166	\$ (35,073)
Other Financing Sources:			
Appropriations Used	1,315	667	-
Imputed Financing	20,901	20,000	20,000
Net Increase/(Decrease) in Cumulative Results of Operation	71,809	35,833	(15,073)
Increase/(Decrease) in Unexpended Appropriations	(1,315)	(71,667)	-
Increase/(Decrease) in Net Position	70,494	(35,834)	(15,073)
Net Position, Beginning Balance	296,084	366,578	330,744
Net Position, Ending Balance	\$ 366,578	\$ 330,744	\$ 315,671

DEPARTMENT OF COMMERCE
Patent and Trademark Office
Report on Patent and Trademark Fees and Obligations

The following report complies with the provisions of Public Law 99-607 which are set forth in Section 42 of title 35, United States Code. This law states:

Section 42 of title 35, United States Code:

Subsection (e) REPORT TO CONGRESS. -- The Secretary of Commerce shall, on the day on which the President submits the annual budget to the Congress, provide to the Committees on the Judiciary of the Senate and the House of Representatives –

- (1) a list of patent and trademark fee collections by the Patent and Trademark Office during fiscal year 1998;
- (2) a list of activities of the Patent and Trademark Office during the preceding fiscal year which were supported by patent fee expenditures, trademark fee expenditures, and appropriations;
- (3) budget plans for significant programs, projects, and activities of the Office, including out-year funding estimates;
- (4) any proposed disposition of surplus fees by the Office; and
- (5) such other information as the committees consider necessary.

This report consists of three tables, which are explained below:

Table 1 provides an overall summary of actual resources and obligations for patents and trademarks for FY 1998.

Table 2 shows a listing of all patent and trademark fees collected during fiscal year 1998 by fee code.

Table 3 shows the obligations incurred by each Budget Activity and the amount of patent and trademark fees that were used to offset these obligations during fiscal year 1998.

Plans for significant program, projects and activities, along with out-year estimates and expected use of surplus fees are included in the body of the fiscal year 2000 Corporate Plan.

Table 1

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
FY 1998 Statement of Resources and Obligations
(Dollars in Thousands)

Description	Patent	Trademark	Total
Resources:			
FY 1998 Gross Fee Collections	\$802,518	\$87,986	\$890,504
Less: Fees Deposited in Surcharge Fee Fund	(119,000)	0	(119,000)
Offsetting Fee Collections	\$683,518	\$87,986	\$771,504
Plus: Appropriations of Surcharge Fees /1	27,000	0	27,000
Offsetting Fee Collections and Receipts	\$710,518	\$87,986	\$798,504
FY 1997 Unobligated Balance Forward	7,801	12,883	20,684
Recoveries of Prior Year Obligations	2,954	765	3,719
Federal Reimbursements	367	0	367
Public Expenditure Refunds Collected	297	0	297
Government Expenditures Refunds Collected	821	0	821
Less: Change in Public Receivables	(84)	0	(84)
Less: Limited Payability Liability	(61)	0	(61)
Less: Fees From Prior Year	(47)	0	(47)
Total Resources	\$722,566	\$101,634	\$824,200
Obligations Incurred	\$614,481	\$88,140	\$702,621
FY 1998 Unobligated Balance	\$108,085	\$13,494	\$121,579

/1 - Appropriations from surcharge fees are comprised of fees that are collected by the Patent and Trademark Office and deposited in the U.S. Treasury.

Table 2

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
Fee Income Report
FY 1998

Fee Code	Fee Title	FY 1998 Fee Rates	FY 1998 Planned Fee Income	FY 1998 Actual Fee Income	FY 1998 Variance From Plan	Portion of Fee Income Attributable to Surcharge
Statutory Patent Fees(Large Entity):						
101	Filing Original Patent Application	\$790.00	\$113,652,000 *	\$127,325,827	\$13,673,827	\$20,810,348
102	Independent Claims in Excess of 3	\$82.00	6,364,512	15,492,533	9,128,021	2,532,125
103	Total Claims in Excess of 20	\$22.00	8,537,760	20,727,069	12,189,309	3,387,666
104	Multiple Dependent Claims per Appln	\$270.00	1,871,100	2,310,802	439,702	377,681
106	Filing Design Patent Application	\$330.00	2,112,000	2,606,558	494,558	426,020
107	Filing Plant Patent Application	\$540.00	77,000	181,595	104,595	29,680
108	Filing Reissue Patent Application	\$790.00	339,700	316,987	(22,713)	51,809
109	Indep Claims in Excess of Orig Patent	\$82.00	3,526	88,738	85,212	14,503
110	Each Claim in Excess of 20 & Orig Pat	\$22.00	9,460	81,686	72,226	13,351
114	Provisional Application Filing Fees	\$150.00	2,616,300	3,799,926	1,183,626	621,066
115	First One Month Extension	\$110.00	4,123,680	4,404,350	280,670	719,854
116	Second One Month Extension	\$400.00	8,179,600	9,042,952	863,352	1,477,995
117	Third One Month Extension	\$950.00	23,992,320	27,038,323	3,046,003	4,419,188
118	Fourth One Month Extension	#####	2,026,420	2,918,986	892,566	477,084
119	Notice of Appeal to Board of Appeals	\$310.00	4,612,800	3,767,930	(844,870)	615,837
120	Filing a Brief in Support of an Appeal	\$310.00	1,708,100	1,246,405	(461,695)	203,714
121	Filing a Request for an Oral Hearing	\$270.00	356,400	248,775	(107,625)	40,660
124	Initial Application for Interim Extension	\$420.00	0	1,690	1,690	276
125	Subsequent Application for Interim Extension	\$220.00	0	0	0	0
128	Extension for Response within Fifth Month	#####	0	760,170	760,170	124,243
131	Continuing Patent Application - Utility Filing	\$790.00	0	10,899,485	10,899,485	1,781,430
132	Continuing Patent Application - Design Filing	\$330.00	0	31,020	31,020	5,070
133	Continuing Patent Application - Plant Filing	\$540.00	0	5,940	5,940	971
134	Continuing Patent Application - Reissue Filing	\$790.00	0	1,580	1,580	258
140	Reviving Abandoned Application	\$110.00	34,100	20,350	(13,750)	3,326
141	Reviving Unintent Abandoned Application	#####	2,713,200	2,915,960	202,760	476,589
142	Issue of Original or Reissue Patent	#####	113,872,800 *	135,937,970	22,065,170	22,217,926
143	Issue of Design Patent	\$450.00	1,926,000	2,842,275	916,275	464,546
144	Issue of Plant Patent	\$670.00	93,800	138,190	44,390	22,586
148	Statutory Disclaimers	\$110.00	566,500	862,835	296,335	141,023
183	First Stage Maintenance Fee	#####	65,080,800 *	66,975,135	1,894,335	10,946,526
184	Second Stage Maintenance Fee	#####	85,129,200 *	85,816,955	687,755	14,026,064
185	Third Stage Maintenance Fee	#####	70,400,000 *	72,517,670	2,117,670	11,852,407

Table 2

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
Fee Income Report
FY 1998

Fee Code	Fee Title	FY 1998 Fee Rates	FY 1998 Planned Fee Income	FY 1998 Actual Fee Income	FY 1998 Variance From Plan	Portion of Fee Income Attributable to Surcharge
956	Nat'l Fee if USPTO is IPEA and ISA	\$720.00	314,250 *	455,900	141,650	74,513
958	Nat'l Fee if USPTO is ISA but not IPEA	\$790.00	85,280 *	177,185	91,905	28,959
960	Nat'l Fee if USPTO is Not IPEA or ISA	#####	1,158,300 *	2,273,330	1,115,030	371,557
962	Claims not in Accordance with PCT Art.	\$98.00	27,264 *	25,203	(2,061)	4,119
964	Indep. Claims in Excess of 3	\$82.00	440,012	707,059	267,047	115,563
966	Each Claim in Excess of 20	\$22.00	684,728	1,236,694	551,966	202,127
968	Multiple Dependent Claims	\$270.00	661,500	603,463	(58,037)	98,631
970	Nat'l Fee for Filing with EPO Report	\$930.00	7,647,480 *	10,374,014	2,726,534	1,695,546
Subtotal, Statutory Patent Fees (Large Entity)		...	\$531,417,892	\$617,179,515	\$85,761,623	\$100,872,837
Statutory Patent Fees(Small Entity):						
201	Filing Original Patent Application	\$395.00	\$26,158,000 *	\$27,335,692	\$1,177,692	\$4,467,791
202	Independent Claims in Excess of 3	\$41.00	1,570,300	2,604,993	1,034,693	425,764
203	Total Claims in Excess of 20	\$11.00	1,965,040	4,204,560	2,239,520	687,200
204	Multiple Dependent Claims per Appln	\$135.00	258,390	324,900	66,510	53,102
206	Filing Design Patent Application	\$165.00	1,600,500	1,568,113	(32,387)	256,295
207	Filing Plant Patent Application	\$270.00	71,500	115,685	44,185	18,908
208	Filing Reissue Patent Application	\$395.00	67,150	56,557	(10,593)	9,244
209	Indep Claims in Excess of Orig Patent	\$41.00	697	11,787	11,090	1,926
210	Each Claim in Excess of 20 & Orig Pat	\$11.00	3,740	13,299	9,559	2,174
214	Provisional Application Filing Fees	\$75.00	1,114,350	1,547,543	433,193	252,933
215	First One Month Extension	\$55.00	842,050	887,614	45,564	145,073
216	Second One Month Extension	\$200.00	1,630,000	1,802,911	172,911	294,671
217	Third One Month Extension	\$475.00	4,900,800	5,846,616	945,816	955,581
218	Fourth One Month Extension	\$755.00	649,300	873,380	224,080	142,747
219	Notice of Appeal to Board of Appeals	\$155.00	672,700	609,175	(63,525)	99,565
220	Filing a Brief in Support of an Appeal	\$155.00	261,950	189,995	(71,955)	31,053
221	Filing a Request for an Oral Hearing	\$135.00	52,650	38,780	(13,870)	6,338
228	Extension for Response within Fifth Month	#####	0	230,908	230,908	37,740
231	Continuing Patent Application - Utility Filing	\$395.00	0	1,429,021	1,429,021	233,561
232	Continuing Patent Application - Design Filing	\$395.00	0	9,405	9,405	1,537
233	Continuing Patent Application - Plant Filing	\$395.00	0	1,350	1,350	221
234	Continuing Patent Application - Reissue Filing	\$395.00	0	395	395	65

Table 2

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
Fee Income Report
FY 1998

Fee Code	Fee Title	FY 1998 Fee Rates	FY 1998 Planned Fee Income	FY 1998 Actual Fee Income	FY 1998 Variance From Plan	Portion of Fee Income Attributable to Surcharge
240	Reviving Abandoned Application	\$55.00	29,700	14,170	(15,530)	2,316
241	Reviving Unintent Abandoned Application	\$660.00	924,350	1,006,230	81,880	164,460
242	Issue of Original or Reissue Patent	\$660.00	25,581,600 *	26,744,942	1,163,342	4,371,237
243	Issue of Design Patent	\$225.00	1,539,000	1,808,500	269,500	295,584
244	Issue of Plant Patent	\$335.00	83,750	131,175	47,425	21,439
248	Statutory Disclaimers	\$55.00	126,500	190,020	63,520	31,057
283	First Stage Maintenance Fee	\$525.00	10,848,600 *	10,562,470	(286,130)	1,726,347
284	Second Stage Maintenance Fee	#####	11,149,400 *	11,460,570	311,170	1,873,134
285	Third Stage Maintenance Fee	#####	7,088,000 *	7,579,605	491,605	1,238,823
957	Nat'l Fee if USPTO is IPEA and ISA	\$360.00	70,500 *	63,250	(7,250)	10,338
959	Nat'l Fee if USPTO is ISA but not IPEA	\$395.00	34,850 *	34,997	147	5,720
961	Nat'l Fee if USPTO is Not IPEA or ISA	\$535.00	534,600 *	445,336	(89,264)	72,786
963	Claims not in Accordance with PCT Art.	\$49.00	8,000 *	4,510	(3,490)	737
965	Indep. Claims in Excess of 3	\$41.00	23,780	59,139	35,359	9,666
967	Each Claim in Excess of 20	\$11.00	67,078	136,235	69,157	22,266
969	Multiple Dependent Claims	\$135.00	52,245	60,159	7,914	9,832
971	Nat'l Fee for Filing with EPO Report	\$465.00	955,935 *	905,104	(50,831)	147,932
Subtotal, Statutory Patent Fees (Small Entity)		. . .	\$100,937,005	\$110,909,090	\$9,972,085	\$18,127,163
Total Statutory Patent Fees			\$632,354,897	\$728,088,605	\$95,733,708	\$119,000,000

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FY 1998

Fee Code	Fee Title	FY 1998 Fee Rates	FY 1998 Planned Fee Income	FY 1998 Actual Fee Income	FY 1998 Variance From Plan	Portion of Fee Income Attributable to Surcharge
Non-Statutory Patent Processing Fees:						
105	Surcharge on Late Payment of Appln Fee	\$130.00	\$4,433,000	\$7,409,949	\$2,976,949	
111	Application for Extension of Patent Term	#####	67,200	67,080	(120)	
112	SIR - Prior to Examiner Action	\$920.00	46,500	13,730	(32,770)	
113	SIR - After Examiner Action	#####	73,600	53,304	(20,296)	
122	Petitions to the Commissioner	\$130.00	2,082,600	2,395,096	312,496	
123	Petitions Related to Provisional Applns	\$50.00	17,799	26,050	8,251	
126	Submission of Information Document	\$240.00	3,403,200	3,767,375	364,175	
127	Surcharge for Filing Provisional Fee Late	\$50.00	177,888	80,100	(97,788)	
138	Public Use Proceeding	#####	9,060	6,040	(3,020)	
139	Filing & Processing Non-English Appln	\$130.00	93,600	182,251	88,651	
145	Cert of Correction, Applicant Mistake	\$100.00	650,000	602,330	(47,670)	
146	Filing a Submission after Final Rejection	\$790.00	0	1,341,810	1,341,810	
147	Filing Request for Reexamination	#####	1,290,300	822,670	(467,630)	
149	For Each Additional Invention to be Examined	\$790.00	0	23,580	23,580	
150	PCT Transmittal Fee	\$240.00	5,244,000	6,480,607	1,236,607	
151	PCT Search Fee - NO Corr US Appln	\$700.00	392,000	2,877,896	2,485,896	
152	Supplemental Search	\$210.00	252,000	364,380	112,380	
153	PCT Search Fee - Corr US Appln Filed	\$450.00	4,095,000	4,606,150	511,150	
154	Surcharge for Filing National Fee Late	\$130.00	552,760	711,000	158,240	
155	PCT - Late Payment Fee	\$0.00	17,000	484,071	467,071	
156	English Translation After 20 Months	\$130.00	41,600	58,851	17,251	
157	PCT - Designation Confirmation Fee	\$0.00	56,180	45,513	(10,667)	
159	Overpayments - PCT	\$0.00	0	(29,684)	(29,684)	
186	Maint Surcharge IN Grace Period	\$130.00	572,000	584,495	12,495	
187	Maint Surcharge - Unavoidable	\$700.00	21,000	59,815	38,815	
188	Maint Surcharge - Unintentional	#####	1,485,000	1,516,630	31,630	
190	PCT - Pre Exam (USPTO is ISA)	\$490.00	5,635,000	5,620,048	(14,952)	
191	PCT - Pre Exam (USPTO NOT ISA)	\$750.00	540,000	1,646,944	1,106,944	
192	PCT - Pre-Exam Fee per Add'l Invention	\$140.00	93,800	117,880	24,080	
193	PCT - Pre-Exam Fee per Add'l Invention	\$270.00	1,350	18,710	17,360	

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Fee Code	Fee Title	FY 1998 Fee Rates	FY 1998 Planned Fee Income	FY 1998 Actual Fee Income	FY 1998 Variance From Plan	Portion of Fee Income Attributable to Surcharge
205	Surcharge on Late Payment of Appln Fee	\$65.00	947,050	1,317,145	370,095	
227	Surcharge for Filing Provisional Fee Late	\$25.00	75,786	48,625	(27,161)	
246	Filing a Submission after Final Rejection	\$395.00	0	230,105	230,105	
249	For Each Additional Invention to be Examined	\$395.00	0	3,565	3,565	
254	Surcharge for Filing National Fee Late	\$65.00	92,755	92,910	155	
286	Maint Surcharge IN Grace Period	\$65.00	318,500	382,865	64,365	
Subtotal, Non-Statutory Patent Processing Fees:		. . .	\$32,777,528	\$44,029,885	\$11,252,357	
Non-Statutory Patent Service Fees:						
561	B/W Copy of Patent or Design	\$3.00	\$2,777,250	\$3,615,483	\$838,233	
562	Patent Copy - Expedited Service	\$6.00	600	168,126	167,526	
563	Patent Copy - Expedited Service via EOS	\$25.00	5,250	49,400	44,150	
564	Color Copy of Plant Patent	\$15.00	30,000	20,429	(9,571)	
565	Copy of Utility Patent With Color Drawings	\$25.00	2,000	600	(1,400)	
566	Copy of Patent Appln as Filed	\$15.00	1,173,000	1,848,971	675,971	
567	Cert Copy of Patent Appln - Expedited	\$30.00	492,000	1,107,883	615,883	
568	Copy of Patent File & Contents	\$150.00	70,500	355,220	284,720	
569	Copy of Office Records per Document	\$25.00	217,500	263,100	45,600	
570	Patent Abstract of Title & Certificate	\$25.00	270,000	469,450	199,450	
571	Annual Library Subscription	\$50.00	500	4,500	4,000	
572	List of US Patents in Subclass	\$3.00	390	0	(390)	
573	Status of Maintenance Fee Payment	\$10.00	6,200	6,400	200	
574	Copy of Non-U.S. Document	\$25.00	92,500	58,450	(34,050)	
575	Compare Copies with Original & Certify	\$25.00	50,000	46,100	(3,900)	
576	Duplicate of Correct Filing Receipt	\$25.00	32,500	63,175	30,675	
577	Filing a Disclosure Document	\$10.00	220,000	192,260	(27,740)	
578	Annual Delivery Box Rental	\$50.00	21,000	14,450	(6,550)	
579	International-Type Search Report	\$40.00	160	0	(160)	
580	Self Service Copy Charge, per Page	\$0.25	4,312,375	4,514,990	202,615	
581	Recording Each Patent Assignment	\$40.00	7,360,000	11,701,557	4,341,557	
583	Publication in Official Gazette	\$25.00	4,250	1,475	(2,775)	
584	Labor Charge for Services per Hour	\$40.00	64,400	140,085	75,685	
585	Unspecified Other Services	At Cost	183,200	(227)	(183,427)	

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U.S. DEPARTMENT OF COMMERCE
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FY 1998

Fee Code	Fee Title	FY 1998 Fee Rates	FY 1998 Planned Fee Income	FY 1998 Actual Fee Income	FY 1998 Variance From Plan	Portion of Fee Income Attributable to Surcharge
586	Process and Retain Abandoned Application	\$130.00	24,700	29,770	5,070	
587	Handling Fee for Appln Filed W/O Drawing	\$130.00	28,600	23,270	(5,330)	
588	Terminal Charge - Automated Patent Search	\$40.00	180,000	231,174	51,174	
589	Handling Fee for Withdrawal of Stat Inv	\$130.00	130	0	(130)	
590	Coupons - Patent or Design, Each	\$3.00	1,419,240	381,534	(1,037,706)	
591	APS - Text Terminal Session Time -PTDL's	\$15.00	3,000	21,148	18,148	
592	APS - CSIR Terminal Session Time	\$50.00	1,000	818,783	817,783	
TBD	TCP Copies	\$9.00	6,682,500 *	0	(6,682,500)	
TBD	Published Application File Wrapper	\$150.00	2,175,000 *	0	(2,175,000)	
607	Establish or Reinstate Deposit Account	\$10.00	2,100	4,420	2,320	
608	Service Charge on End Bal - \$1000 Min	\$25.00	95,750	91,275	(4,475)	
609	Attorney Fee - Admission to Examination	\$40.00	144,000	75,550	(68,450)	
610	Attorney Fee - Registration to Practice	\$100.00	2,075,000	191,500	(1,883,500)	
611	Attorney Fee - Reinstatement to Practice	\$40.00	4,400	400	(4,000)	
612	Attorney Fee - Cert of Good Standing	\$10.00	900	1,020	120	
613	Attorney Fee - Cert of Standing, Framing	\$20.00	200	140	(60)	
615	Pet for Review of Decision by E.O.D.	\$130.00	1,300	5,850	4,550	
616	Regrading an Examination - A.M.	\$230.00	20,010	11,745	(8,265)	
617	Processing Returned Checks	\$50.00	14,000	22,300	8,300	
618	Computer Records, at Cost	At Cost	1,273,000	1,309,254	36,254	
619	Registration Examination Fee	\$310.00	958,830	954,910	(3,920)	
620	Regrading an Examination - P.M.	\$540.00	122,100	23,460	(98,640)	
...	Unspecified Patent Fees		0	1,560,624	1,560,624	
Subtotal, Non-Statutory Patent Service Fees		...	\$32,611,335	\$30,400,003	(\$2,211,332)	
Total Non-Statutory Patent Fees			\$65,388,863	\$74,429,888	\$9,041,025	
Total Patent Fees			\$697,743,760	\$802,518,493	#####	

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U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
Fee Income Report
FY 1998

Fee Code	Fee Title	FY 1998 Fee Rates	FY 1998 Planned Fee Income	FY 1998 Actual Fee Income	FY 1998 Variance From Plan	Portion of Fee Income Attributable to Surcharge
Trademark Processing Fees:						
361	Application for Registration	\$245.00	\$58,800,000	\$59,064,045	\$264,045	
362	Amendment to Allege Use	\$100.00	680,000	695,500	15,500	
363	Statement of Use	\$100.00	5,700,000	3,732,000	(1,968,000)	
364	Extensions of Time (Intent to Use)	\$100.00	4,800,000	7,389,770	2,589,770	
365	Application for Renewal	\$300.00	2,700,000	2,277,555	(422,445)	
366	Surcharge for Late Renewal	\$100.00	85,000	85,200	200	
367	Publication of Mark Under Sec 12c	\$100.00	7,000	2,155	(4,845)	
368	Issuing New Certificate of Registration	\$100.00	21,000	30,900	9,900	
369	Cert of Correction of Applicant Error	\$100.00	42,000	55,000	13,000	
370	Filing Disclaimer to Registration	\$100.00	1,000	400	(600)	
371	Filing Amendment to Registration	\$100.00	67,000	55,970	(11,030)	
372	Filing Affidavit Under Section 8	\$100.00	400,000	471,700	71,700	
373	Filing Affidavit Under Section 15	\$100.00	110,000	101,500	(8,500)	
374	Filing Affidavit Under Section 8 & 15	\$200.00	6,000,000	6,641,800	641,800	
375	Petitions to the Commissioner	\$100.00	78,000	147,400	69,400	
376	Petition to Cancel	\$200.00	300,000	309,700	9,700	
377	Notice of Opposition	\$200.00	860,000	1,086,200	226,200	
378	Ex Parte Appeal to the TTAB	\$100.00	130,000	216,900	86,900	
379	Divisional of Applications	\$100.00	82,000	110,810	28,810	
Subtotal, Trademark Processing Fees		...	\$80,863,000	\$82,474,505	\$1,611,505	

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U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
Fee Income Report
FY 1998

Fee Code	Fee Title	FY 1998 Fee Rates	FY 1998 Planned Fee Income	FY 1998 Actual Fee Income	FY 1998 Variance From Plan	Portion of Fee Income Attributable to Surcharge
Trademark Service Fees:						
461	Printed Copy of Each Registered Mark	\$3.00	\$5,700	\$6,214	\$514	
462	Trademark Copy - Expedited Service	\$6.00	60	1,836	1,776	
463	TM Copy - Expedited Service via EOS	\$25.00	1,000	800	(200)	
464	TM Copy with Title or Status - Reg Serv	\$15.00	135,000	126,005	(8,995)	
465	TM Copy with Title or Status - Expedited	\$30.00	408,000	297,450	(110,550)	
466	Cert Copy of TM Appln as Filed - Regular	\$15.00	159,555	236,070	76,515	
467	Cert Copy of TM Appln as Filed - Exped	\$30.00	180,000	415,320	235,320	
468	Cert Copy of TM File and Contents	\$50.00	14,000	25,700	11,700	
469	Certified Copy of Trademark Document	\$25.00	11,750	6,425	(5,325)	
470	Abstracts of Title, per Registration	\$25.00	16,500	24,325	7,825	
475	Compare Copies with Original & Certify	\$25.00	10,500	9,600	(900)	
480	Self Service Copy Charge, per Page	\$0.25	548,050	585,178	37,128	
481	Recording TM Assignment Documents	\$40.00	886,000	901,655	15,655	
482	Recording Each Additional Mark	\$25.00	1,830,000	2,696,140	866,140	
484	Labor Charge for Services per Hour	\$40.00	18,800	40,110	21,310	
485	Unspecified Other Trademark Services	At Cost	80,005	39,194	(40,811)	
488	Terminal Charge for Automated TM Search	\$40.00	73,200	87,370	14,170	
490	Coupons - Trademarks, Each	\$3.00	15,120	2,571	(12,549)	
650	Recordal Application Fee	\$20.00	0	9,840	9,840	
651	Renewal Application Fee	\$20.00	0	0	0	
652	Late Fee for Renewal Applicator	\$20.00	0	0	0	
Subtotal, Trademark Service Fees		...	\$4,393,240	\$5,511,803	\$1,118,563	
Total Trademark Fees			\$85,256,240	\$87,986,308	\$2,730,068	

Table 2

**U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
Fee Income Report - Summary
FY 1998**

Fee Summary:	FY 1998 Planned Fee Income	FY 1998 Actual Fee Income	FY 1998 Variance From Plan	
Total Patent Fee Collections*	\$697,743,760	\$802,518,493	\$104,774,733	
Total Trademark Fee Collections	85,256,240	87,986,308	2,730,068	
Total Patent and Trademark Fees	\$783,000,000	\$890,504,801	\$107,504,801	
Less: Surcharge Fees Deposited in Treasury	119,000,000	119,000,000	0	
Total Offsetting Patent and Trademark Fees	\$664,000,000	\$771,504,801	\$107,504,801	**

* - A portion of the income for these fees was planned to be derived from pre-grant application fees, legislation for which was never enacted.

** - Total adjusted surplus fees for FY 1998 amounted to \$107,397,440. From this amount, \$71,000,000 was rescinded in FY 1999 (Pub. L. 105-277). The remaining \$36,397,440 is available for use in FY 1999 (Pub. L. 1

Table 3

**U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
FY 1998 Resources and Obligations
By Line Item and Budget Activity
(Dollars in Thousands)**

Budget Activity / Line Item	Total Resources Available	Actual Obligations Incurred From:				Percent Of Total Obligations	FY 1998 Unobligated Balance
		Offsetting Patent Fees	Surcharge Patent Fees	Offsetting Trademark Fees	Total Actual Obligations		
Patent Process:							
Patent Professional	\$553,548	\$440,150	\$19,649	\$0	\$459,799	65.4%	\$93,749
Patent Automation	74,570	67,161	3,138	3,129	73,428	10.5%	\$1,142
Subtotal - Patent Process	\$628,118	\$507,311	\$22,787	\$3,129	\$533,227	75.9%	\$94,891
Trademark Process:							
Trademark Examination	73,821	0	0	60,327	60,327	8.6%	\$13,494
Trademark Automation	10,475	0	0	10,475	10,475	1.5%	\$0
Subtotal - Trademark Process	\$84,296	\$0	\$0	\$70,802	\$70,802	10.1%	\$13,494
Information Dissemination and Technology:							
Information Dissemination	25,791	16,611	955	4,776	22,342	3.2%	\$3,449
Information Resources Management	36,886	29,023	1,495	4,472	34,990	5.0%	\$1,896
Subtotal - Information Dissemination	\$62,677	\$45,634	\$2,450	\$9,248	\$57,332	8.2%	\$5,345
Executive Direction and Administration:							
Policy	12,026	7,918	397	978	9,293	1.3%	\$2,733
Resource Management	37,083	26,618	1,366	3,983	31,967	4.5%	\$5,116
Subtotal - Executive Direction & Administration	\$49,109	\$34,536	\$1,763	\$4,961	\$41,260	5.9%	\$7,849
Total - Patent and Trademark Office	\$824,200	\$587,481	\$27,000	\$88,140	\$702,621	100.0%	\$121,579